

Department 401 - Insurance Commissioner, Including Insurance Tax Payments to Fire Departments
House Bill No. 1010

Executive Budget Comparison to Prior Biennium Appropriations

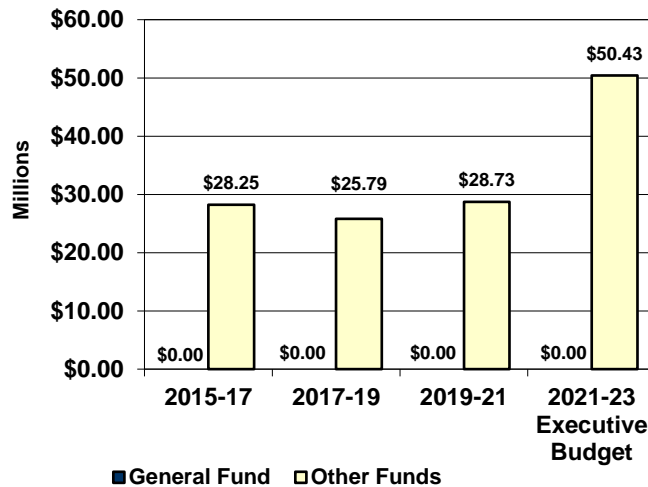
| | FTE Positions | General Fund | Other Funds | Total |
|---|---------------|--------------|--------------|--------------|
| 2021-23 Executive Budget | 39.00 | \$0 | \$50,426,100 | \$50,426,100 |
| 2019-21 Legislative Appropriations ¹ | 41.00 | 0 | 28,734,703 | 28,734,703 |
| Increase (Decrease) | (2.00) | \$0 | \$21,691,397 | \$21,691,397 |

¹The 2019-21 biennium agency appropriation amounts have not been adjusted for additional federal funds authority of \$21,488,350 for the Reinsurance Association of North Dakota (RAND) resulting from Emergency Commission action during the 2019-21 biennium.

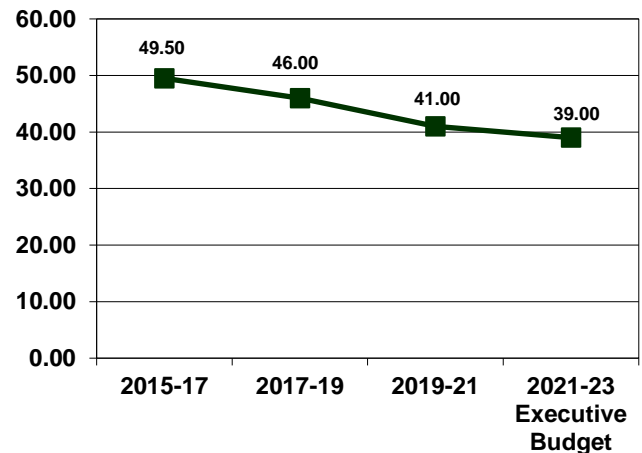
Ongoing and One-Time Other Funds Appropriations

| | Ongoing Other Funds Appropriation | One-Time Other Funds Appropriation | Total Other Funds Appropriation |
|------------------------------------|-----------------------------------|------------------------------------|---------------------------------|
| 2021-23 Executive Budget | \$50,426,100 | \$0 | \$50,426,100 |
| 2019-21 Legislative Appropriations | 28,534,703 | 200,000 | 28,734,703 |
| Increase (Decrease) | \$21,891,397 | (\$200,000) | \$21,691,397 |

Agency Funding



FTE Positions



Executive Budget Comparison to Base Level

| | General Fund | Other Funds | Total |
|--------------------------|--------------|--------------|--------------|
| 2021-23 Executive Budget | \$0 | \$50,426,100 | \$50,426,100 |
| 2021-23 Base Level | 0 | 28,534,703 | 28,534,703 |
| Increase (Decrease) | \$0 | \$21,891,397 | \$21,891,397 |

Attached as an appendix is a detailed comparison of the executive budget to the agency's base level appropriations.

Executive Budget Highlights

| | General Fund | Other Funds | Total |
|---|--------------|-------------|-------------|
| 1. Provides funding for state employee salary and benefit increases, of which \$219,233 is for salary increases, \$2,005 is for health insurance increases, and \$45,118 is for retirement contribution increases | \$0 | \$266,356 | \$266,356 |
| 2. Adds funding for base payroll changes | \$0 | \$308,287 | \$308,287 |
| 3. Removes 2 FTE positions, including 1 FTE insurance rate analyst and 1 FTE insurance company financial analyst | \$0 | (\$305,365) | (\$305,365) |
| 4. Adjusts funding for operations | \$0 | \$29,913 | \$29,913 |
| 5. Adds funding for Microsoft Office 365 licensing expenses | \$0 | \$3,856 | \$3,856 |

| | | | |
|--|-----|--------------|--------------|
| 6. Adds funding from federal funds for RAND | \$0 | \$21,488,350 | \$21,488,350 |
| 7. Adds funding for an office remodeling project | \$0 | \$100,000 | \$100,000 |

**Other Sections Recommended to be Added in the Executive Budget
(As Detailed in the Attached Appendix)**

Insurance tax distribution fund - Section 3 would designate \$17,989,505 for payments to fire departments and \$828,525 for payments to the North Dakota Firefighter's Association.

Unsatisfied judgment fund - Section 4 would designate \$26,610 from the state unsatisfied judgment fund to pay unsatisfied judgment fund administrative expenses.

Insurance Commissioner's salary - Section 5 would provide the statutory changes necessary to increase the Insurance Commissioner's salary by 2 percent the 1st year and 2 percent the 2nd year as follows:

Annual salary authorized by the Legislative Assembly in 2019:

| | |
|--------------|-----------|
| July 1, 2019 | \$107,885 |
| July 1, 2020 | \$110,582 |

Proposed annual salary recommendation in the 2021-23 executive budget:

| | |
|--------------|-----------|
| July 1, 2021 | \$112,794 |
| July 1, 2022 | \$115,050 |

Continuing Appropriations

State bonding fund - North Dakota Century Code Section 26.1-21-17 - This fund was created to provide fidelity bond coverage to the state and its political subdivisions to protect against the theft of money and property by public officials and employees. Administration of the fund is contracted with the North Dakota Insurance Reserve Fund.

State fire and tornado fund - Section 26.1-22-03 - This fund was created to provide affordable building and business personal property insurance coverage to state entities and political subdivisions. Administration of the fund is contracted with the North Dakota Insurance Reserve Fund.

Significant Audit Findings

There were no significant audit findings for this agency.

Major Related Legislation

House Bill No. 1062 - Relates to insurance company records and the confidentiality of insurance filings.

House Bill No. 1086 - Relates to the state fire and tornado fund.

House Bill No. 1087 - Extends the invisible reinsurance pool for the individual health insurance market and appropriates \$200,000 from special funds to the Insurance Commissioner to study the establishment of an invisible reinsurance pool for the combination of the individual health insurance market with the small group health insurance market.

House Bill No. 1092 - Creates law relating to civil and administrative remedies used to combat insurance fraud.

House Bill No. 1093 - Removes the requirement for the State Auditor to evaluate the state's blanket bond coverage.

Senate Bill No. 2072 - Relates to insurance rebates and raffles.

Senate Bill No. 2073 - Relates to short-term limited-duration health insurance plans.

Senate Bill No. 2076 - Relates to reinsurance credit of insurers.

Senate Bill No. 2077 - Provides a monetary penalty on insurance companies that fail to report certain data to the Insurance Commissioner.

Senate Bill No. 2078 - Relates to licensing of insurance producers.

**Insurance Commissioner, Including Insurance Tax Payments to Fire Departments - Budget No. 401
House Bill No. 1010
Base Level Funding Changes**

| | Executive Budget Recommendation | | | |
|--|--|-------------------------|------------------------|--------------|
| | FTE Positions | General Fund | Other Funds | Total |
| 2021-23 Biennium Base Level | 41.00 | \$0 | \$28,534,703 | \$28,534,703 |
| 2021-23 Ongoing Funding Changes | | | | |
| Base payroll changes | | | \$308,287 | \$308,287 |
| Salary increase | | | 219,233 | 219,233 |
| Retirement contribution increase | | | 45,118 | 45,118 |
| Health insurance increase | | | 2,005 | 2,005 |
| Removes FTE positions | (2.00) | | (305,365) | (305,365) |
| Adjusts funding for operations | | | 29,913 | 29,913 |
| Adds funding for Microsoft Office 365 licensing expenses | | | 3,856 | 3,856 |
| Adds funding for RAND | | | 21,488,350 | 21,488,350 |
| Adds funding for an office remodel | | | 100,000 | 100,000 |
| Total ongoing funding changes | (2.00) | \$0 | \$21,891,397 | \$21,891,397 |
| One-time funding items | | | | |
| No one-time funding items | | | | \$0 |
| Total one-time funding changes | 0.00 | \$0 | \$0 | \$0 |
| Total Changes to Base Level Funding | (2.00) | \$0 | \$21,891,397 | \$21,891,397 |
| 2021-23 Total Funding | 39.00 | \$0 | \$50,426,100 | \$50,426,100 |
| <i>Total ongoing changes as a percentage of base level</i> | (4.9%) | | 76.7% | 76.7% |
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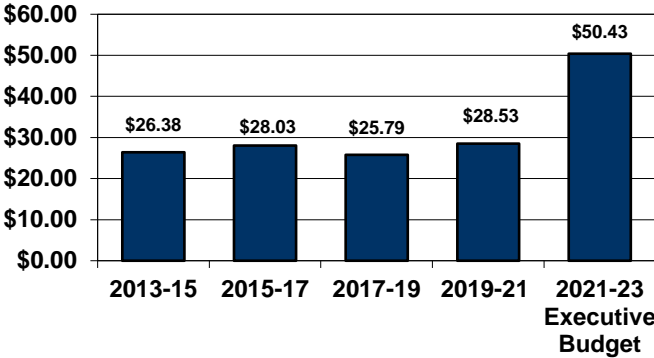
Other Sections in Insurance Commissioner, Including Insurance Tax Payments to Fire Departments - Budget No. 401

| | Executive Budget Recommendation |
|---------------------------------|---|
| Insurance tax distribution fund | Section 3 would designate \$17,989,505 for payments to fire departments and \$828,525 for payments to the North Dakota Firefighter's Association. |
| Unsatisfied judgment fund | Section 4 would designate \$26,610 from the state unsatisfied judgment fund to pay unsatisfied judgment fund administrative expenses. |
| Insurance Commissioner's salary | Section 5 would provide the statutory changes necessary to increase the Insurance Commissioner's salary by 2 percent per year. |

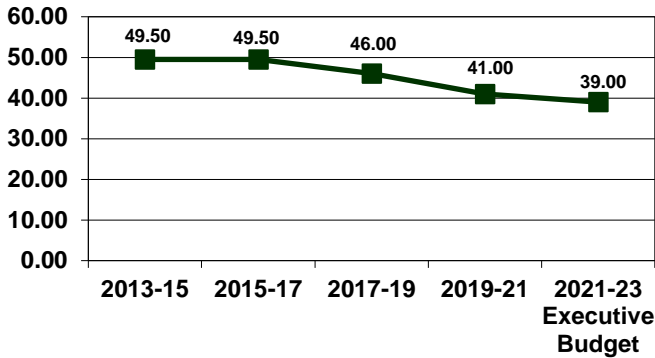
Department 401 - Insurance Commissioner, Including Insurance Tax Payments to Fire Departments

Historical Appropriations Information
Ongoing Other Funds Appropriations Since 2013-15

Ongoing Other Funds Appropriations (in Millions)



FTE Positions



| Ongoing Other Funds Appropriations | | | | | |
|---|--------------|--------------|---------------|--------------|--------------------------|
| | 2013-15 | 2015-17 | 2017-19 | 2019-21 | 2021-23 Executive Budget |
| Ongoing other funds appropriations | \$26,377,090 | \$28,026,346 | \$25,793,430 | \$28,534,703 | \$50,426,100 |
| Increase (decrease) from previous biennium | N/A | \$1,649,256 | (\$2,232,916) | \$2,741,273 | \$21,891,397 |
| Percentage increase (decrease) from previous biennium | N/A | 6.3% | (8.0%) | 10.6% | 76.7% |
| Cumulative percentage increase (decrease) from 2013-15 biennium | N/A | 6.3% | (2.2%) | 8.2% | 91.2% |

Major Increases (Decreases) in Ongoing Other Funds Appropriations

2015-17 Biennium

- 1. Increased funding from the insurance tax distribution fund for grants to fire districts to provide a total of \$15,681,207 for grants to fire departments and \$890,000 to the North Dakota Firefighter's Association \$1,234,821
- 2. Adjusted funding for operating expenses relating primarily to actuarial services, travel, and office rental (\$345,966)

2017-19 Biennium

- 1. Removed 3.5 FTE positions (\$724,448)
- 2. Reduced funding for operating expenses (\$357,265)
- 3. Reduced grants to fire departments to provide total ongoing funding of \$14,235,561 from the insurance tax distribution fund (\$1,445,646)

2019-21 Biennium

- 1. Added 2 new FTE positions, including a consumer assistance outreach coordinator position and a high-risk pool and health care reform coordinator position \$382,502
- 2. Removed 3 FTE positions and authorized the Insurance Commissioner to contract for the administration of the state fire and tornado fund and the state bonding fund under continuing appropriation authority (\$610,352)
- 3. Transferred the boiler inspection program, including 4 FTE positions, to the Department of Environmental Quality (\$753,365)
- 4. Increased funding from the insurance tax distribution fund for grants to fire districts to provide a total of \$17,989,505 for grants to fire departments and \$828,525 to the North Dakota Firefighter's Association \$3,753,944

2021-23 Biennium (Executive Budget Recommendation)

- 1. Removes 2 FTE positions (\$305,365)
- 2. Adds funding from federal funds for RAND \$21,488,350

**GOVERNOR'S RECOMMENDATION FOR THE
INSURANCE COMMISSIONER AS SUBMITTED
BY THE OFFICE OF MANAGEMENT AND BUDGET**

SECTION 1. APPROPRIATION. The funds provided in this section, or so much of the funds as may be necessary, are appropriated from special funds derived from federal funds and other income, to the insurance commissioner for the purpose of defraying the expenses of that agency, for the biennium beginning July 1, 2021 and ending June 30, 2023, as follows:

| | <u>Base Level</u> | <u>Adjustments or Enhancements</u> | <u>Appropriation</u> |
|--------------------------------|-------------------|--|----------------------|
| Salaries and Wages | \$8,149,998 | \$ 269,278 | \$ 8,419,276 |
| Operating Expenses | 1,566,675 | 33,769 | 1,600,444 |
| Capital Assets | 0 | 100,000 | 100,000 |
| Grants | <u>0</u> | <u>21,488,350</u> | <u>21,488,350</u> |
| Total Special Funds | \$9,716,673 | \$21,891,397 | \$31,608,070 |
| Full-time Equivalent Positions | 41.00 | (2.00) | 39.00 |

SECTION 2. ONE-TIME FUNDING. The following amounts reflect the one-time funding items approved by the sixty-sixth legislative assembly for the 2019-21 biennium.

| <u>One-Time Funding Description</u> | <u>2019-21</u> | <u>2021-23</u> |
|-------------------------------------|------------------|----------------|
| Health Care Analysis | <u>\$200,000</u> | <u>\$ 0</u> |
| Total Special Funds | \$200,000 | \$ 0 |

SECTION 3. APPROPRIATION. There is appropriated out of any moneys in the insurance tax distribution fund in the state treasury, not otherwise appropriated, the sum of \$18,818,030 or so much of the sum as may be necessary, to the insurance commissioner for the purpose of providing payments, in accordance with provisions of section 18-04-05, to North Dakota fire departments in the amount of \$17,989,505 and payments to the North Dakota firefighter's association in the amount of \$828,525 for the biennium beginning July 1, 2021 and ending June 30, 2023.

SECTION 4. UNSATISFIED JUDGMENT FUND. Section 1 of this Act includes \$26,610 from the state unsatisfied judgment fund to pay unsatisfied judgment fund administrative expenses for the biennium beginning July 1, 2021 and ending June 30, 2023.

SECTION 5. AMENDMENT. Section 26.1-01-09 of the North Dakota Century Code is amended and reenacted as follows:

26.1-01-09. Salary of commissioner.

The annual salary of the commissioner is ~~one hundred seven thousand eight hundred eighty-five dollars through June 30, 2020~~ one hundred twelve thousand seven hundred ninety-four dollars through June 30, 2022, and ~~one hundred ten thousand five hundred eighty-two~~ one hundred fifteen thousand fifty dollars thereafter.