

**MINUTES OF COMMERCE & REVENUE
APPROPRIATIONS SUBCOMMITTEE**

January 25, 1999 - 2:00 P.M.
Room 414, State Capitol Building

- MEMBERS PRESENT: Sen. Lorin Jones, Co-Chair
Rep. Lowell A. Nelson, Co-Chair
Sen. Ed Mayne
Rep. Eli Anderson
Rep. Chad Bennion
Rep. David Cox
Rep. Neil Hansen
- MEMBERS ABSENT: Sen. Lyle Hillyard
Rep. Susan Koehn
Rep. Marlon Snow
Rep. Martin Stephens
- STAFF PRESENT: Bill Greer, Fiscal Analyst
Sylvia Newton, Committee Secretary
- VISITORS LIST: Attached to and made a part of these minutes.

Rep. Nelson called the meeting to order at 2:07 p.m.

MOTION: Rep. Hansen moved to approve the minutes for the January 22, 1999 meeting.
The motion passed unanimously with Rep. Cox absent for the vote.

Rep. Nelson announced that there will be no committee meeting on Wednesday, January 24, 1999.

Budget Reviews:

Bill Greer, fiscal analyst, gave an overview of the Department of Financial Institutions. This department regulates the banks and credit unions of the state. The Analyst recommends funding of \$2,762,800 General Fund Restricted for all department personnel and operations. A negative building block reduces this budget by \$69,500. This reduction can be made because new examiners were hired at a lower wage. The base budget is lower as a result of one-time FY1999 funding for computers.

Commissioner Ed Leary and Craig Kennedy explained the savings occasioned by the hiring of some new examiners to replace more experienced examiners who have left the department for higher-paying positions. They noted that it takes at least three years of training to bring new examiners to an effective level of performance. In addition to banks and credit unions, there are now 19 industrial loan companies in the state that are subject to the department's jurisdiction. The department collects \$2.7 million in regulatory fees.

All fee amounts are determined by statute and stay within a restricted account.

Bill Greer gave an overview of the Insurance Department, which is funded from the General Fund. These funds are offset by fees collected by the department and deposited into the General Fund. The Legislature then appropriates funds to the agency for the regulation of the insurance industry. The actual usage of funds is less than the revenue collected. There is a new schedule of fees this year; some fees are higher and some lower, but the net result is an increase of \$1,201,950 in funds collected. The fees have not yet gone through a public hearing process, which will happen before the end of these budget hearings. The department has requested four additional FTE to address a workload increase of over 60 percent over the last three years, funded with the fee increases. Also, the Bail Bond Program oversight was transferred from the Courts to the Department of Insurance, and funding of \$15,000 Restricted Revenue from fees and penalties is used for their expenses. The department has also experienced an increase in the number of fraud cases. There are over 45 cases awaiting prosecution due to a backlog in the caseload. The Fraud Division has sufficient revenue for an additional prosecuting attorney and two support staff, the cost of which would be an additional \$149,000 which is already in the budget.

Commissioner Merwin Stewart and Neal Gooch, Deputy Commissioner, concurred with the recommendations made by the Analyst. They explained that insurance premiums are about 10 percent higher because of fraudulent claims. Some of the fees have been eliminated and/or combined with other fees.

Bill Greer gave an overview of the Comprehensive Health Insurance Pool (HIP). It provides access to health insurance coverage to Utah residents who are otherwise unable to obtain insurance. It is a self-funding enterprise fund, but a General Fund supplement is required to keep the pool solvent. The processing of claims is done on a contractual basis through Blue Cross/Blue Shield of Utah. A separate contract was established with the Department of Health for executive director services. The contract cost is \$40,000 plus expenses. The recommendation for the pool will maintain the funding so that extreme cases will not overdraw the fund.

Dee Rowland, Chairman of the Board of HIP, distributed the 1998 annual report and answered questions from the committee.

MOTION: Rep. Anderson moved to adjourn the meeting at 3:08 p.m. The motion passed unanimously.

Minutes of Commerce & Revenue Appropriations Subcommittee
January 25, 1999
Page 3

Sen. Lorin Jones, Co-Chair

Rep. Lowell A. Nelson, Co-Chair