

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE
Revised

House Bill 791 (Chairman, Economic Matters Committee)

(Departmental - Maryland Insurance Administration)

Economic Matters

Referred to Finance

Contractual Services - Examination and Licensing

This amended departmental bill authorizes the Insurance Commissioner, with the approval of the Board of Public Works, to enter into contracts with private entities to perform licensing and testing services under the Insurance Article and to collect specified fees and remit them to the State general fund. In addition the bill eliminates the following fees:

- Original Trade Name Filing Fee - \$25
- Amendments to Trade Name Filing Fee - \$5
- Certifications Under Seal Fee - \$5

The bill requires the Commissioner to submit a report to the House Economic Matters Committee and the Senate Finance Committee by September 30, 1998. The report must include: (1) an analysis of the cost savings from this bill; (2) any appropriate reductions in fees charged to insurers commensurate with the savings to general funds; and (3) a review of the impact out-sourcing examination and licensing functions has on agents.

This bill is effective January 1, 1997 and sunsets December 31, 2001.

Fiscal Summary

State Effect: General fund revenues would decrease by \$87,750 in FY 1997 due to the elimination of certain fees. Out-year revenues reflect a full-year reduction in fees collected and anticipated growth. General fund expenditures would decrease by \$182,600 which includes the elimination of 10 positions as of January 1, 1997. Out-year expenditures include the full-year reductions and reflect anticipated salary increases, turnover, and inflation.

(in dollars)	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
GF Revenues	(\$87,800)	(\$180,800)	(\$186,200)	(\$191,800)	(\$197,500)
GF Expenditures	(182,600)	(367,900)	(381,500)	(395,600)	(410,300)
Net Effect	\$94,800	\$187,100	\$195,300	\$203,800	\$212,800

Note: () - decrease; GF - general funds; FF - federal funds; SF - special funds

Local Effect: None.

Small Business Effect: The Maryland Insurance Administration has determined that this bill has a meaningful impact on small business (attached). Fiscal Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

Fiscal Analysis

State Revenues: The elimination of the three fees, as provided by the bill, would reduce general fund revenues by an estimated \$175,500 annually. This estimate is based on the following calculation:

Annual Reduction in Revenues

	Fee	Volume	Revenue
Original Trade Name Filing Fee	\$25	2,000	\$50,000
Amendments to Trade Name Filing Fee	\$5	1,500	\$7,500
Certification Under Seal	\$5	23,600	\$118,000
Total			\$175,500

The bill takes effect on January 1, 1997. Therefore, fiscal 1997 revenues would decrease by \$87,750. Future year revenue reductions reflect the full-year reduction in fees collected and growth at 3%.

State Expenditures: The Maryland Insurance Administration (MIA) advises that the Insurance Commissioner would out-source the licensing and testing services for insurance agents and brokers. As a result, the Department of Fiscal Services (DFS) estimates that the administration could eliminate 10 positions in the Professional and Consumer Services Division which reflects a 22% reduction in staffing for the division. General fund expenditures would decrease by \$182,600 in fiscal 1997 which reflects a reduction in salaries of \$126,124, fringe benefits, ongoing operating costs, a \$15,000 reduction in communication expenses, and a January 1, 1997 effective date.

Future year expenditure reductions include (1) full salaries for the positions eliminated with 3.5% annual increases and 3% employee turnover; and (2) 2% increases in ongoing operating expenses.

MIA anticipates reducing the size of its licensing staff by 7 employees and reassigning 7 employees to other programs to satisfy the staffing requirements imposed by recent legislation. DFS advises that the need for employees in other areas of the department is an issue to be addressed through the budget process. The adoption of this bill would significantly reduce the responsibilities of the Professional and Consumer Services Division and would permit MIA to eliminate 10 positions.

Additional Comments: MIA advises that it has been utilizing an AS-400 computer owned and operated by another State agency. Due to lack of storage capacity and the age and inadequacy of the current licensing software, MIA must look for alternative ways of processing agent license applications and renewals. As an alternative to out-sourcing the licensing services, MIA could purchase a new computer, software, and increase its licensing staff. MIA estimates the total cost for this alternative at \$2,648,600 (100% general fund expenditures).

Information Source(s): Maryland Insurance Administration, Department of Fiscal Services

Fiscal Note History: First Reader - February 13, 1996
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