

Department of Regulatory Agencies  
 Summary of Proposed Reductions  
 FY 2009-10  
 January 23, 2009

Priority	Yes or No	Enter One	Division	Title	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE	List
	Corresponding FY 2008-09 Impact – Yes or No?	One Time or Base/Ongoing?									Other Department(s) Affected
BA-1	No	Ongoing	Division of Insurance	Fully Cash Fund the Division of Insurance	\$0	\$0	\$0	\$0	\$0	0.0	none
BA-NP-2	No	Ongoing	Executive Director's Office	Salary Survey and Senior Executive Service Common Policy Reduction	(\$889,113)	(\$43,033)	(\$702,531)	(\$143,549)	\$0	0.0	none
BA-NP-3	No	One Time	Executive Director's Office	Fleet Fuel	(\$106,086)	\$0	(\$106,086)	\$0	\$0	0.0	none
NP	Yes	Ongoing	Personal Service line items	OIT Common Policy - Management & Administration of OIT	\$25,950	\$591	\$21,155	\$3,970	\$234		
<b>Total - Reductions</b>					<b>(\$969,249)</b>	<b>(\$42,442)</b>	<b>(\$787,462)</b>	<b>(\$139,579)</b>	<b>\$234</b>	<b>0.0</b>	

**Schedule 13  
Change Request for FY 09-10 Budget Request Cycle**

Request Title: Fully Cash Fund Division of Insurance  
 Department: Regulatory Agencies  
 Priority Number: BA-1

Decision Item FY 09-10  Base Reduction Item FY 09-10  Supplemental FY 08-09  Budget Request Amendment FY 09-10

Dept. Approval by: *[Signature]* Date: 1/26/09  
 OSPB Approval: *[Signature]* Date: 1-26-09

	Fund	1	2	3	4	5	6	7	8	9	10
		Prior-Year Actual FY 07-08	Appropriation FY 08-09	Supplemental Request FY 08-09	Total Revised Request FY 08-09	Base Request FY 09-10	Decision/ Base Reduction FY 09-10	November 1 Request FY 09-10	Budget Amendment FY 09-10	Total Revised Request FY 09-10	Change from Base (Column 5) FY 09-10
<b>Total of All Line Items</b>	<b>Total</b>	5,383,868	6,171,046	0	6,171,046	6,350,689	0	6,350,689	0	6,350,689	0
	FTE	80.2	84.9	0.0	84.9	84.9	0.0	84.9	0.0	84.9	0.0
	GF	0	0	0	0	0	0	0	0	0	0
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	0	0	0	0	0	0	0	0	0
	CFE	5,383,868	6,171,046	0	6,171,046	6,350,689	0	6,350,689	0	6,350,689	0
	FF	0	0	0	0	0	0	0	0	0	0
<b>(3) Civil Rights Division</b>	<b>Total</b>	5,383,868	6,171,046	0	6,171,046	6,350,689	0	6,350,689	0	6,350,689	0
<b>Personal Services</b>	<b>FTE</b>	80.2	84.9	0.0	84.9	84.9	0.0	84.9	0.0	84.9	0.0
	GF	0	0	0	0	0	0	0	0	0	0
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	0	0	0	0	0	0	0	0	0
	CFE	5,383,868	6,171,046	0	6,171,046	6,350,689	0	6,350,689	0	6,350,689	0
	FF	0	0	0	0	0	0	0	0	0	0

**Non-Line Item Impact:** This will require that existing fees be increased, via the Department's administrative fee setting authority pursuant to Section 10-2-413, C.R.S. Raising the two-year license fees of both resident and non-resident insurance producers is anticipated to increase General Fund revenue by at least \$2,450,000 on an annual basis. Based on present information this will require a flat fee increase of \$19 per two-year license.

Cash Fund name/number, Federal Fund Grant name: Division of Insurance Cash Fund / #282

IT Request:  Yes  No

Request Affects Other Departments:  Yes  No If Yes, List Other Departments Here:



# DEPARTMENT OF REGULATORY AGENCIES

*Budget Reduction Proposal  
January 23, 2009*

*D. Rico Munn  
Executive Director*

## *Fully Cash Fund the Division of Insurance FY 2009-10 – BA-1*

**Proposal:** The Cash Fund appropriation to the Division of Insurance affects General Fund revenues because the Division of Insurance Cash Fund is backfilled by insurance premium tax revenue that would otherwise be credited to the General Fund pursuant to C.R.S. 10-3-209 (4), up to a maximum of 5% of overall premium tax revenues. This amount must make the difference between the expenditures of the Division (roughly \$10 million annually) and all fee source revenues to the same cash fund (roughly \$7 million annually). Over the last ten years this backfill has been an average of \$2.7 million each year, and it is usually between \$2.0 and \$3.0 million:

	Total Taxes	Transferred to Division of Insurance Cash Fund	Net Taxes to General Fund
10-year average	\$164,791,075	\$2,677,619	\$162,113,456
5-year average	\$183,767,231	\$2,393,238	\$181,373,993
3-year average	\$183,038,297	\$2,449,996	\$180,588,301
Last Year (FY 07-08)	\$190,749,986	\$2,929,442	\$187,820,544

Pursuant to Section 10-2-413, C.R.S., the Division could raise fees to approximate the most recent 3-year average amounts of the premium tax backfill (\$2,450,000) by increasing the two-year authority fees for insurance agents. This will result in increased General Fund premium tax revenues for FY 2009-10 and requires no action by the General Assembly. It should be noted that the required fee increase to achieve this amount depends on future information about fee populations. As the table below shows, using present information a flat fee increase of \$19.00 would increase annual General Fund revenue as follows:

Fee Type*	Current State Fee	Annual Volume	Fee Increase Flat Fee	Total Fee	Additional Revenue
Resident New	\$13	15,923	\$19.00	\$32.00	\$302,537
Non-Resident New	\$27	34,686	\$19.00	\$46.00	\$659,026
Resident Continuation	\$3	35,202	\$19.00	\$22.00	\$668,838
Non-Resident Continuation	\$9	46,358	\$19.00	\$28.00	\$880,802
Professional Bonding	\$89	286	\$19.00	\$108.00	\$5,434
Resident SL	\$110	203	\$19.00	\$129.00	\$3,857
Non-Resident SL	\$250	951	\$19.00	\$269.00	\$18,069
<b>Total</b>		<b>133,609</b>			<b>\$2,538,563</b>

\* Does not include fees paid directly to vendors who provide examination services

Because the Division of Insurance Cash Fund's use of premium tax revenue is limited, the proposed amount is the best available estimate of the maximum amount of General Fund revenues that can be produced by raising fees in the Division of Insurance.

**Current Statutory Authority or Needed Statutory Change:**

No statutory change is needed to change insurance producer licenses.

The existing citation governing the premium tax backfill is as follows: Division of Insurance: 10-3-209 (4) *All taxes, penalties, and fines collected by the division of insurance under the provisions of this section shall be transmitted to the department of the treasury and credited to the general fund; except that such amounts appropriated by the general assembly to the division of insurance cash fund, created in section 10-1-103 (3), not to exceed a maximum of five percent of all taxes collected under this section, shall be transmitted to the state treasurer and deposited in the division of insurance cash fund.*