

# STATE INSURANCE DEPARTMENT

## Enabling Laws

Act 263 of 2012  
A.C.A. §21-2-701 et seq.  
A.C.A. §21-5-601 et seq.  
A.C.A. §23-60-101---23-101-114  
A.C.A. §26-57-601---26-57-616  
A.C.A. §24-11-301; 24-11-809  
A.C.A. §23-102-105---23-102-119  
A.C.A. §11-9-301---11-9-307  
A.C.A. §21-14-101(d)(2)  
A.C.A. §23-40-101 et seq.

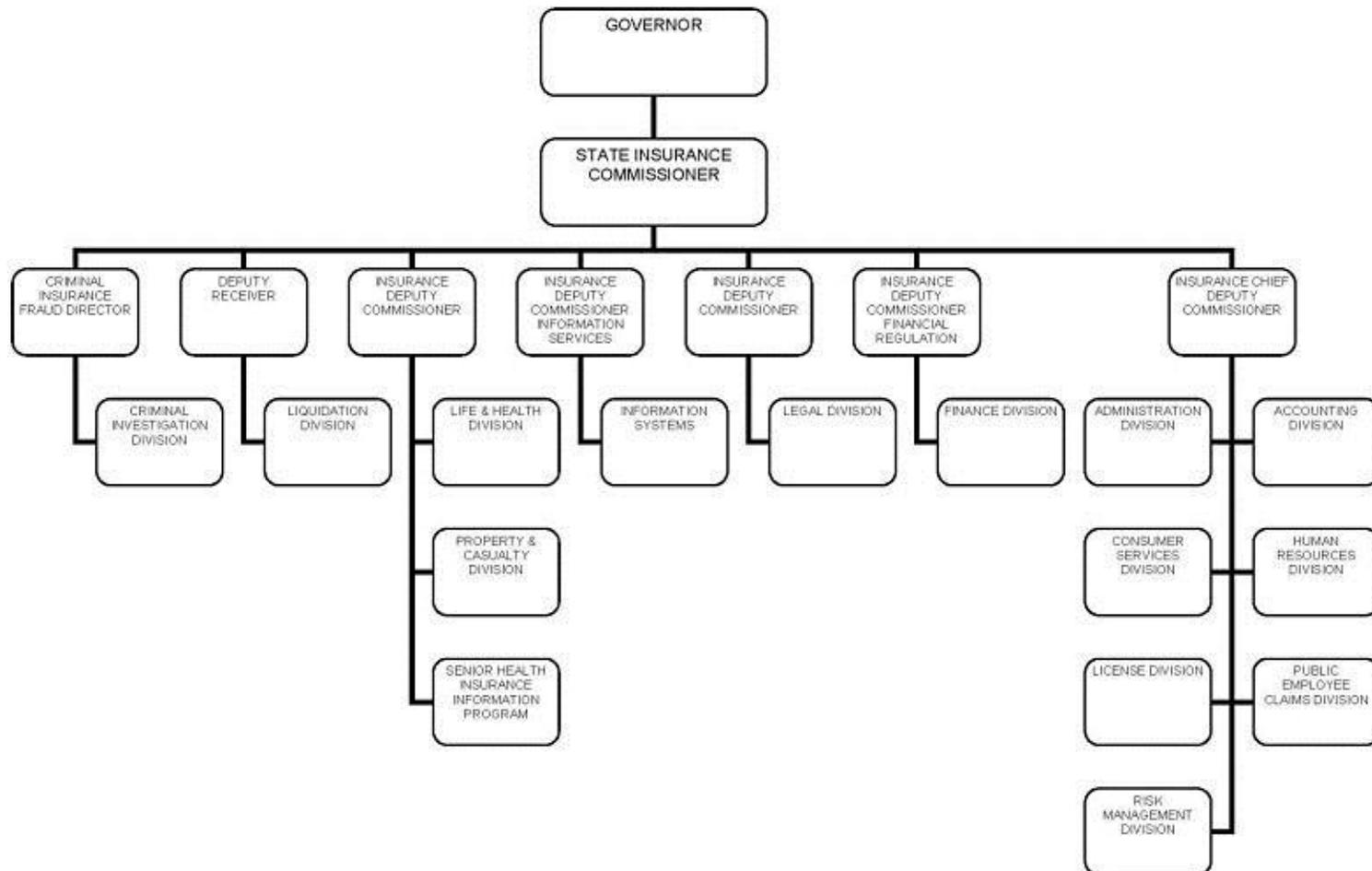
## History and Organization

The purpose of the Arkansas Insurance Department is to serve and protect the public interest by the equitable enforcement of the State's laws and regulations affecting the insurance industry. The primary mission of the Department is consumer protection through insurer solvency, market conduct regulation, and fraud prevention and deterrence.

It is the responsibility of the State Insurance Department to regulate all persons conducting the business of insurance in the State of Arkansas. This includes the review and licensing of insurance companies desiring to be admitted, and the review and approval of companies wishing to do business on a non-admitted or surplus lines basis, the examination of the affairs and financial condition of each domestic insurer every three to five years and foreign insurers when necessary, testing and licensing of all persons applying to become insurance agents, title agents, reviewing and analyzing policy forms and rate filings, and the collection of applicable premium taxes and fees. In addition, regulate and license limited surety agents, automobile clubs, health maintenance organizations, pre-paid legal insurers and hospital and medical service corporations. Registration requirements have been established for third party administrators. The Department has responsibility for the collection of funds for the Firemen's and Police Officers' Pension Funds. It assists state agencies, institutions and schools in the establishment of appropriate insurance programs and procurement of coverage. The Department receives and investigates complaints from citizens concerning persons engaging in any of the areas regulated, and provides information to the public with regard to these entities. Legislation is prepared and rules are promulgated to effectively carry out duties. The Department administers domiciliary and ancillary receivership proceedings for companies placed in rehabilitation or liquidation. The State Insurance Department operates with a trust fund. Legislation

established the Workers' Compensation Fraud Investigation Unit, the Insurance Fraud Investigation Division, and PrePaid Funeral Benefits Division; all operating with trust funds.

The Public Employee Claims Division was created within the State Insurance Department. The Division is designated as the unit of State government primarily responsible for the administration of Public Employee Workers' Compensation claims in the state of Arkansas.



## **Agency Commentary**

It is the responsibility of the State Insurance Department to regulate all persons conducting the business of insurance in the State of Arkansas. This includes the review and licensing of insurance companies desiring to be admitted, and the review and approval of companies wishing to do business on a non-admitted or surplus lines basis, the examination of the affairs and financial condition of each domestic insurer every three to five years and foreign insurers when necessary, testing and licensing of all persons applying to become insurance agents, reviewing and analyzing policy forms and rate filings, and the collection of applicable premium taxes and fees. In addition, regulate and license limited surety agents, automobile clubs, health maintenance organizations, pre-paid legal insurers and hospital and medical service corporations. Registration requirements have been established for third party administrators. The Department has responsibility for the collection of funds for the Firemen's and Police Officers' Pension Funds. Another duty is assisting State agencies, institutions, and schools in the establishment of appropriate insurance programs and procurement of coverage. The Department receives and investigates complaints from citizens concerning persons engaging in any of the areas regulated, and for providing information to the public with regard to these entities. Legislation is prepared and rules and regulations are promulgated to effectively carry out these duties. The Department administers domiciliary and ancillary receivership proceedings for companies placed in rehabilitation or liquidation. Legislation has added the Workers' Compensation Fraud Investigation Unit, the Insurance Fraud Investigation Division and the Prepaid Funeral Benefits Division. The Public Employee Claims Division was also created within the State Insurance Department. This Division is designated as the unit of state government primarily responsible for the administration of Public Employee Workers' Compensation claims in the State of Arkansas. The Department was awarded three federal grants Health Information Counseling for senior citizens on Medicare, Health Insurance Premium Rate Review and Level One Cooperative Agreement.

The Department is requesting Base Level for its programs, with the following exceptions:

In the State Operations Program, the addition of \$20,000 each year in Capital Outlay is requested for replacement of Non-IT equipment. Another \$135,000 each year in Capital Outlay is for continuation of scheduled replacement and upgrading of technology equipment indicated in the Department's IT plan that has been submitted to the DFA - Office of State Technology Planning. An additional \$15,000 each year in Conference Fee & Travel is for increases in airfare. Also, an additional \$100,000 each year is requested for Professional Services for Actuarial Contracts to review company reserves, claims, re-insurance contracts and annuities.

Requesting one (1) new position of Insurance Senior Examiner, Grade C122, to monitor company closings due to depressed financial markets and current economic conditions and the reclassification of four (4) positions: Administrative Specialist II, Grade C109, to Administrative Specialist III, Grade C112.

Transfer of one (1) base level position, Administrative Specialist II, Grade C109, back to its original location in the Insurance-State Operations Program. This position was loaned to the Cycle 1 Exchange Grant and paid by that grant to provide clerical support.

In the Department's Fraud Investigation Unit, reclassification of one (1) position, Criminal Insurance Fraud Investigator, C119, to Assistant Director Fraud Investigation, C126. This position already has the responsibility of the lead investigator and acts as Assistant Director. Due to increased volume and complexity of fraud cases the Director has been spending more time with staff attorneys and prosecutors. No additional costs are involved in this change.

In the Insurance Fraud Investigation Division, request the addition of \$20,000 each year to cover increase in office space square footage due to relocation of this program to other quarters.

In the Public Employee Claims Section, an additional \$9,000 each year is requested to cover increases in office rent and the reclassification of a Workers' Compensation Claims Specialist to a Workers' Compensation Program Manager is also requested.

In the appropriation for State Employee Claims, an additional \$1,000,000 each year is requested to assure sufficient resources are available to process all workers' compensation claims for State employees.

Governmental Bonding Board Operations, an additional \$2,000,000 each year is requested to assure sufficient resources are available to process claims payments.

Health Insurance Premium Rate Review-Federal, Restoration of appropriation originally approved by a miscellaneous federal grant in December, 2011.

Health Care Exchange - Federal, Cycle 1 ends as of September, 2012. Transfer of three positions: One (1) base level position back to the Insurance-State Operations Program and two (2) base level federal positions to the federally funded Level One Cooperative Agreement.

Level One Cooperative Agreement - Federal, restoration of five (5) positions and appropriation approved by miscellaneous federal grant in April, 2012; transfer two (2) base level federal positions from Cycle 1 to the Level One Cooperative Agreement to continue operations.

## **Audit Findings**

DIVISION OF LEGISLATIVE AUDIT  
AUDIT OF :  
STATE INSURANCE DEPARTMENT  
FOR THE YEAR ENDED JUNE 30, 2010

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Findings

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Recommendations

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The Liquidation Division had the following internal control deficiencies related to bank accounts:

- The Liquidation Division maintains 37 bank accounts with a total balance at June 30, 2010 of \$9,090,334. Our testing of these receivership bank accounts revealed monthly bank reconciliations were not being prepared for some of the accounts.
- Our review of the Liquidation Division and Property and Casualty Guaranty Fund Operating Accounts revealed that supporting documentation for 3 out of 30 disbursements tested was not properly maintained.
- There were inadequate controls over cash transactions because of insufficient segregation of duties.

The ability to properly safeguard and account for these assets was jeopardized as a result of inadequate controls.

We noted the following internal control deficiencies relating to the various information systems:

- There was no periodic review of system user access abilities to ensure that each user's access is commensurate with job duties.
- The contingency plan that addresses the Agency's procedures in the event of a short-term or long-term interruption of computer service has not been fully established and tested.

Failure to properly implement controls increases the risk of inappropriate access to data and inability to restore computer systems.

Review and follow the required procedures as set out in the State Financial Management Guide.

Implement strong control over its computer systems to help prevent improper use and ensure their successful restoration.

## **State Contracts Over \$25,000 Awarded To Minority Owned Businesses Fiscal Year 2012**

None

## Employment Summary

	Male	Female	Total	%
White Employees	57	86	143	79 %
Black Employees	4	32	36	20 %
Other Racial Minorities	0	2	2	1 %
Total Minorities			38	21 %
Total Employees			181	100 %

## Publications

### A.C.A. 25-1-204

Name	Statutory Authorization	Required for		# of Copies	Reason(s) for Continued Publication and Distribution
		Governor	General Assembly		
Annual Report	A.C.A. 23-61-112	Y	N	120	Required for the Governor and provided to others upon request.

# Department Appropriation Summary

## Historical Data

## Agency Request and Executive Recommendation

Appropriation	2011-2012		2012-2013		2012-2013		2013-2014					2014-2015						
	Actual	Pos	Budget	Pos	Authorized	Pos	Base Level	Pos	Agency	Pos	Executive	Pos	Base Level	Pos	Agency	Pos	Executive	Pos
1QA AMAIT - Operations	6,311,755	0	10,000,000	0	10,000,000	0	10,000,000	0	10,000,000	0	10,000,000	0	10,000,000	0	10,000,000	0	10,000,000	0
2SW Insurance-State Operations	11,424,872	129	12,194,745	135	12,429,915	136	11,954,989	135	12,323,512	137	12,296,716	137	11,962,589	135	12,331,243	137	12,304,316	137
2SX Fraud Investigation Unit	322,528	4	358,419	4	370,286	4	359,379	4	359,379	4	359,379	4	359,501	4	359,501	4	359,501	4
2SY Insurance Fraud Investigation Division	936,057	11	990,334	11	993,480	11	993,097	11	1,013,097	11	1,013,097	11	994,073	11	1,014,073	11	1,014,073	11
2SZ Prepaid Funeral Benefits Division	299,768	4	375,522	4	374,985	4	376,482	4	376,482	4	376,482	4	376,482	4	376,482	4	376,482	4
2TA Continuing Education Program	4,682	0	35,524	1	37,475	1	35,764	1	35,764	1	35,764	1	35,764	1	35,764	1	35,764	1
2TB State Employee Claims	12,599,583	0	15,000,000	0	15,000,000	0	15,000,000	0	16,000,000	0	16,000,000	0	15,000,000	0	16,000,000	0	16,000,000	0
2TC Governmental Bonding Board Operations	993,372	0	2,104,855	0	2,104,855	0	2,104,855	0	4,104,855	0	4,104,855	0	2,104,855	0	4,104,855	0	4,104,855	0
2TD Public Employees Claims Section	1,515,136	23	1,507,330	23	1,583,324	24	1,527,817	23	1,536,817	23	1,536,817	23	1,528,915	23	1,537,915	23	1,537,915	23
2TE Health Information Counseling	788,641	7	1,372,216	7	1,012,544	6	916,715	6	916,715	6	916,715	6	916,715	6	916,715	6	916,715	6
2TF Refunds of Overpayments	2,975,863	0	11,000,000	0	11,000,000	0	11,000,000	0	11,000,000	0	11,000,000	0	11,000,000	0	11,000,000	0	11,000,000	0
2TG Public School Employees Claims	152,256	0	450,000	0	450,000	0	450,000	0	450,000	0	450,000	0	450,000	0	450,000	0	450,000	0
2TH County Employee Claims	14,575	0	200,000	0	200,000	0	200,000	0	200,000	0	200,000	0	200,000	0	200,000	0	200,000	0
2TJ City Employee Claims	28,446	0	600,000	0	600,000	0	600,000	0	600,000	0	600,000	0	600,000	0	600,000	0	600,000	0
2TK Consumer Info System - Cash	14,853	0	98,887	0	130,166	0	97,546	0	97,546	0	97,546	0	97,546	0	97,546	0	97,546	0
2TM Travel & Subsistence-Cash	55,787	0	100,000	0	100,000	0	100,000	0	100,000	0	100,000	0	100,000	0	100,000	0	100,000	0
2TN Prepaid Funeral Contracts Recovery	17,149	0	500,000	0	500,000	0	500,000	0	500,000	0	500,000	0	500,000	0	500,000	0	500,000	0
4HH Criminal Background Checks-Cash	81,378	0	125,000	0	125,000	0	125,000	0	125,000	0	125,000	0	125,000	0	125,000	0	125,000	0
56A Public School Insurance Program	6,736,393	0	14,000,000	0	14,000,000	0	14,000,000	0	14,000,000	0	14,000,000	0	14,000,000	0	14,000,000	0	14,000,000	0
85P Health Insurance Premium Rate Review-Federal	880,279	5	4,781,740	5	1,000,000	5	891,229	5	3,240,222	5	3,240,222	5	891,351	5	3,240,344	5	3,240,344	5
85Q Health Care Exchange-Federal	854,524	3	424,773	3	1,000,000	3	201,963	3	0	0	0	0	201,963	3	0	0	0	0
F08 Level One Cooperative Agreement - Federal	122,407	5	7,665,483	5	0	0	0	0	7,578,242	7	7,578,242	7	0	0	7,578,242	7	7,578,242	7
<b>NOT REQUESTED FOR THE BIENNIUM</b>																		
85Z Consumer Assistance - Federal	233,979	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>47,364,283</b>	<b>192</b>	<b>83,884,828</b>	<b>198</b>	<b>73,012,030</b>	<b>194</b>	<b>71,434,836</b>	<b>192</b>	<b>84,557,631</b>	<b>198</b>	<b>84,530,835</b>	<b>198</b>	<b>71,444,754</b>	<b>192</b>	<b>84,567,680</b>	<b>198</b>	<b>84,540,753</b>	<b>198</b>

Funding Sources		%		%		%		%		%		%		%		%		%
Fund Balance	4000005	68,472,189	53.2	81,438,275	48.7	67,049,218	47.5	67,049,218	43.6	67,049,218	43.6	69,823,886	48.5	69,435,363	44.4	69,462,159	44.4	
Federal Revenue	4000020	2,879,830	2.2	14,244,212	8.5	2,009,907	1.4	11,735,179	7.6	11,735,179	7.6	2,010,029	1.4	11,735,301	7.5	11,735,301	7.5	
Special Revenue	4000030	25,376,058	19.7	18,122,940	10.8	18,522,196	13.1	18,531,196	12.0	18,531,196	12.0	18,523,416	12.9	18,532,416	11.9	18,532,416	11.9	
Cash Fund	4000045	142,656	0.1	208,061	0.1	225,000	0.2	225,000	0.1	225,000	0.1	225,000	0.2	225,000	0.1	225,000	0.1	
Trust Fund	4000050	16,161,102	12.5	26,104,855	15.6	26,104,855	18.5	28,104,855	18.3	28,104,855	18.3	26,104,855	18.1	28,104,855	18.0	28,104,855	18.0	
Miscellaneous Revolving	4000350	3,171,140	2.5	12,250,000	7.3	12,250,000	8.7	12,250,000	8.0	12,250,000	8.0	12,250,000	8.5	12,250,000	7.8	12,250,000	7.8	

<b>Funding Sources</b>		<b>%</b>		<b>%</b>		<b>%</b>		<b>%</b>		<b>%</b>		<b>%</b>		<b>%</b>		<b>%</b>	
Workers' Comp Revolving	4000735	12,599,583	9.8	15,000,000	9.0												
						15,000,000	10.6	16,000,000	10.4	16,000,000	10.4	15,000,000	10.4	16,000,000	10.2	16,000,000	10.2
Total Funds		128,802,558	100.0	167,368,343	100.0	141,161,176	100.0	153,895,448	100.0	153,895,448	100.0	143,937,186	100.0	156,282,935	100.0	156,309,731	100.0
Excess Appropriation/(Funding)		(81,438,275)		(83,483,515)		(69,726,340)		(69,337,817)		(69,364,613)		(72,492,432)		(71,715,255)		(71,768,978)	
Grand Total		47,364,283		83,884,828		71,434,836		84,557,631		84,530,835		71,444,754		84,567,680		84,540,753	

The FY13 Budget amounts for the Prepaid Funeral Benefits Division (2SZ) and the Continuing Education Program (2TA) exceed the Authorized amounts due to matching rate adjustments during the 2011-2013 Biennium. The FY13 Budget amounts for Health Information Counseling (2TE) and Level One Cooperative Agreement-Federal (F08) exceed the Authorized amounts due to transfers from the Miscellaneous Federal Grant Holding Account. Beginning Fund Balance for 2013-2014 is reduced by \$16,434,297 in accordance with the adjustment specified in A.C.A. 23-61-710(c). Variance in 2014-2015 fund balances is due to unfunded appropriation in the Consumer Information System Program (2TK).

## Agency Position Usage Report

FY2010 - 2011						FY2011 - 2012						FY2012 - 2013					
Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused
	Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total	
184	176	11	187	-3	4.35 %	194	178	15	193	1	8.25 %	194	177	23	200	-6	8.76 %

Total Budgeted positions exceed Authorized due to positions authorized through the Miscellaneous Federal Grant process.

## **Analysis of Budget Request**

**Appropriation:** 1QA - AMAIT - Operations

**Funding Sources:** TMI - Arkansas Multi-Agency Insurance Trust Fund

The Arkansas Multi-Agency Insurance Trust Fund Program was established by Act 1762 of 2003 to reduce the costs of insurance coverage for state agencies by combining their premium dollars in purchasing broader coverage for property and vehicle insurance with higher deductibles. The program is also designed to build a growing reserve to self-insure ever larger deductible amounts allowing further reductions in policy prices.

Base Level is \$10,000,000 each year and is the Agency Request.

The Executive Recommendation provides for the Agency Request.

## Appropriation Summary

**Appropriation:** 1QA - AMAIT - Operations

**Funding Sources:** TMI - Arkansas Multi-Agency Insurance Trust Fund

### Historical Data

### Agency Request and Executive Recommendation

Commitment Item		Historical Data			2013-2014			2014-2015		
		2011-2012 Actual	2012-2013 Budget	2012-2013 Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
AMAIT	5900046	6,311,755	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Total		6,311,755	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Funding Sources										
Fund Balance	4000005	12,540,597	14,382,495		14,382,495	14,382,495	14,382,495	14,382,495	14,382,495	14,382,495
Trust Fund	4000050	8,153,653	10,000,000		10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Total Funding		20,694,250	24,382,495		24,382,495	24,382,495	24,382,495	24,382,495	24,382,495	24,382,495
Excess Appropriation/(Funding)		(14,382,495)	(14,382,495)		(14,382,495)	(14,382,495)	(14,382,495)	(14,382,495)	(14,382,495)	(14,382,495)
Grand Total		6,311,755	10,000,000		10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000

## **Analysis of Budget Request**

**Appropriation:** 2SW - Insurance-State Operations

**Funding Sources:** TSI - State Insurance Department Trust Fund

The State Insurance Department's State Operations appropriation is funded by special revenues that are authorized in Arkansas Code §19-5-922. Base Level for this program is \$11,954,989 for FY14 and \$11,962,589 for FY15, with 135 positions budgeted.

Base Level Regular Salaries and Personal Services Matching include Career Service payments for eligible employees. Personal Services Matching also includes a \$20 increase in the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$410 per month. Base Level salaries and matching do not include appropriation for a Cost of Living Adjustment or Merit Pay Increases. The Base Level salaries of unclassified positions reflects the FY13 line item maximums.

Changes are requested as follows:

The addition of one position, Insurance Senior Examiner, Grade C122, is requested due to the increasing complexity of examinations and analytical reviews conducted by the Department. Salary and matching costs are \$55,163 each year.

The transfer of one position, Administrative Specialist II, Grade C109, back to this program from the Cycle I Healthcare Exchange Program is requested. Salary and matching costs are \$31,564 each year.

The reclassification of four Administrative Specialist II positions to Administrative Specialist III is also requested. Total costs of these changes are \$10,402 each year.

The addition of \$15,000 each year in Conference and Travel is requested due to increases in the cost of airfare.

The addition of \$20,000 each year in Capital Outlay is requested for replacement of Non-IT equipment. Another \$135,000 each year in Capital Outlay is for continuation of scheduled replacement and upgrading of technology equipment indicated in the Department's IT plan that has been submitted to the DFA - Office of State Technology Planning.

An increase of \$100,000 each year in Professional Services is requested for additional costs to obtain outside actuarial input in reviewing company reserves, claims processing, and reinsurance contracts.

The Executive Recommendation provides for the Agency Request, with the exception of the addition to Conference and Travel and reclassification of the four Administrative Specialist II positions.

# Appropriation Summary

**Appropriation:** 2SW - Insurance-State Operations  
**Funding Sources:** TSI - State Insurance Department Trust Fund

## Historical Data

## Agency Request and Executive Recommendation

Commitment Item		2011-2012	2012-2013	2012-2013	2013-2014			2014-2015		
		Actual	Budget	Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries	5010000	6,637,222	6,878,659	7,184,698	6,785,380	6,858,029	6,848,366	6,791,180	6,863,829	6,854,166
<b>#Positions</b>		<b>129</b>	<b>135</b>	<b>136</b>	<b>135</b>	<b>137</b>	<b>137</b>	<b>135</b>	<b>137</b>	<b>137</b>
Extra Help	5010001	84,087	140,000	140,000	140,000	140,000	140,000	140,000	140,000	140,000
<b>#Extra Help</b>		<b>10</b>	<b>19</b>							
Personal Services Matching	5010003	2,023,587	2,167,086	2,096,217	2,175,609	2,201,483	2,199,350	2,177,409	2,203,414	2,201,150
Overtime	5010006	210	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000
Operating Expenses	5020002	1,939,361	2,185,000	2,185,000	2,185,000	2,185,000	2,185,000	2,185,000	2,185,000	2,185,000
Conference & Travel Expenses	5050009	116,006	138,000	138,000	138,000	153,000	138,000	138,000	153,000	138,000
Professional Fees	5060010	15,485	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Capital Outlay	5120011	232,391	155,000	155,000	0	155,000	155,000	0	155,000	155,000
Special Maintenance	5120032	10,782	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Professional Services	5900043	365,741	386,000	386,000	386,000	486,000	486,000	386,000	486,000	486,000
<b>Total</b>		<b>11,424,872</b>	<b>12,194,745</b>	<b>12,429,915</b>	<b>11,954,989</b>	<b>12,323,512</b>	<b>12,296,716</b>	<b>11,962,589</b>	<b>12,331,243</b>	<b>12,304,316</b>
<b>Funding Sources</b>										
Fund Balance	4000005	40,133,241	51,066,516		37,437,474	37,437,474	37,437,474	40,482,485	40,113,962	40,140,758
Special Revenue	4000030	22,358,147	15,000,000		15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000
Total Funding		62,491,388	66,066,516		52,437,474	52,437,474	52,437,474	55,482,485	55,113,962	55,140,758
Excess Appropriation/(Funding)		(51,066,516)	(53,871,771)		(40,482,485)	(40,113,962)	(40,140,758)	(43,519,896)	(42,782,719)	(42,836,442)
<b>Grand Total</b>		<b>11,424,872</b>	<b>12,194,745</b>		<b>11,954,989</b>	<b>12,323,512</b>	<b>12,296,716</b>	<b>11,962,589</b>	<b>12,331,243</b>	<b>12,304,316</b>

FY13 Budget amount in Personal Services Matching exceeds the Authorized amount due to matching rate adjustments during the 2011-2013 Biennium.

Beginning Fund Balance for 2013-2014 is reduced to \$37,437,474, which is the total of 3 previous years' budgets, as specified in A.C.A. 23-61-710(c).

## Change Level by Appropriation

**Appropriation:** 2SW - Insurance-State Operations  
**Funding Sources:** TSI - State Insurance Department Trust Fund

### Agency Request

Change Level		2013-2014	Pos	Cumulative	% of BL	2014-2015	Pos	Cumulative	% of BL
BL	Base Level	11,954,989	135	11,954,989	100.0	11,962,589	135	11,962,589	100.0
C01	Existing Program	190,163	1	12,145,152	101.6	190,163	1	12,152,752	101.6
C07	Agency Transfer	31,564	1	12,176,716	101.9	31,564	1	12,184,316	101.9
C08	Technology	135,000	0	12,311,716	103.0	135,000	0	12,319,316	103.0
C10	Reclass	11,796	0	12,323,512	103.1	11,927	0	12,331,243	103.1

### Executive Recommendation

Change Level		2013-2014	Pos	Cumulative	% of BL	2014-2015	Pos	Cumulative	% of BL
BL	Base Level	11,954,989	135	11,954,989	100.0	11,962,589	135	11,962,589	100.0
C01	Existing Program	175,163	1	12,130,152	101.5	175,163	1	12,137,752	101.5
C07	Agency Transfer	31,564	1	12,161,716	101.7	31,564	1	12,169,316	101.7
C08	Technology	135,000	0	12,296,716	102.9	135,000	0	12,304,316	102.9
C10	Reclass	0	0	12,296,716	102.9	0	0	12,304,316	102.9

### Justification

C01	Requesting one (1) new position, Insurance Senior Examiner, Grade C122, due to the volatility in financial markets and current economic conditions. The companies require closer monitoring; Capital Outlay of \$20,000 each year for replacement of Non-IT equipment; an additional \$15,000 each year in Conference Fees and Travel- Common Carrier for increases in airfare prices; an additional \$100,000 each year for Professional Services for Actuarial Contracts to review company reserves, claims processed and reinsurance contracts.
C07	Transfer Insurance Department base level position, Administrative Specialist II, Grade C109, back to its origin in the Insurance-State Operations Program. Position was loaned to Cycle 1 Exchange Grant and was paid by grant to provide clerical support until it ended.
C08	Requesting Capital Outlay of \$135,000 each year to continue scheduled replacement and upgrading of information technology equipment in accordance with the Departments IT Plan as submitted to the DFA - Office of State Technology Planning.
C10	Reclassification is requested for four (4) positions of Administrative Specialist II, Grade C109, to Administrative Specialist III, Grade C112.

## **Analysis of Budget Request**

**Appropriation:** 2SX - Fraud Investigation Unit

**Funding Sources:** TSI - State Insurance Department Trust Fund

The Fraud Investigation Unit was created with the passage of Act 1136 of 1993 to investigate allegations of fraud in workers' compensation cases. Funding is provided by special revenues collected by the Insurance Department and earmarked for this purpose.

Base Level Regular Salaries and Personal Services Matching include Career Service payments for eligible employees. Personal Services Matching also includes a \$20 increase in the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$410 per month. Base Level salaries and matching do not include appropriation for a Cost of Living Adjustment or Merit Pay Increases.

The Department is requesting Base Level of \$359,379 for FY14 and \$359,501 for FY15 for this program, along with the reclassification of a Criminal Insurance Fraud Investigator, Grade C119, to Assistant Director of Fraud Investigation, Grade C126.

The Executive Recommendation provides for the Agency Request, with the reclassification title of Assistant Director of Fraud Investigation provided at Grade C122.

## Appropriation Summary

**Appropriation:** 2SX - Fraud Investigation Unit

**Funding Sources:** TSI - State Insurance Department Trust Fund

### Historical Data

### Agency Request and Executive Recommendation

Commitment Item		Historical Data			Agency Request and Executive Recommendation			Agency Request and Executive Recommendation		
		2011-2012 Actual	2012-2013 Budget	2012-2013 Authorized	2013-2014			2014-2015		
					Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries	5010000	197,405	185,380	198,608	185,380	185,380	185,380	185,480	185,480	185,480
<b>#Positions</b>		<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>
Personal Services Matching	5010003	60,612	59,633	58,272	60,593	60,593	60,593	60,615	60,615	60,615
Operating Expenses	5020002	62,593	90,406	90,406	90,406	90,406	90,406	90,406	90,406	90,406
Conference & Travel Expenses	5050009	1,918	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000
Professional Fees	5060010	0	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Capital Outlay	5120011	0	0	0	0	0	0	0	0	0
<b>Total</b>		<b>322,528</b>	<b>358,419</b>	<b>370,286</b>	<b>359,379</b>	<b>359,379</b>	<b>359,379</b>	<b>359,501</b>	<b>359,501</b>	<b>359,501</b>
<b>Funding Sources</b>										
Fund Balance	4000005	180,593	258,018		0	0	0	0	0	0
Special Revenue	4000030	399,953	100,401		359,379	359,379	359,379	359,501	359,501	359,501
<b>Total Funding</b>		<b>580,546</b>	<b>358,419</b>		<b>359,379</b>	<b>359,379</b>	<b>359,379</b>	<b>359,501</b>	<b>359,501</b>	<b>359,501</b>
Excess Appropriation/(Funding)		(258,018)	0		0	0	0	0	0	0
<b>Grand Total</b>		<b>322,528</b>	<b>358,419</b>		<b>359,379</b>	<b>359,379</b>	<b>359,379</b>	<b>359,501</b>	<b>359,501</b>	<b>359,501</b>

FY13 Budget amount in Personal Services Matching exceeds the Authorized amount due to matching rate adjustments during the 2011-2013 Biennium.

## Change Level by Appropriation

**Appropriation:** 2SX - Fraud Investigation Unit  
**Funding Sources:** TSI - State Insurance Department Trust Fund

### Agency Request

Change Level		2013-2014	Pos	Cumulative	% of BL	2014-2015	Pos	Cumulative	% of BL
<b>BL</b>	<b>Base Level</b>	<b>359,379</b>	<b>4</b>	<b>359,379</b>	<b>100.0</b>	<b>359,501</b>	<b>4</b>	<b>359,501</b>	<b>100.0</b>
C10	Reclass	0	0	359,379	100.0	0	0	359,501	100.0

### Executive Recommendation

Change Level		2013-2014	Pos	Cumulative	% of BL	2014-2015	Pos	Cumulative	% of BL
<b>BL</b>	<b>Base Level</b>	<b>359,379</b>	<b>4</b>	<b>359,379</b>	<b>100.0</b>	<b>359,501</b>	<b>4</b>	<b>359,501</b>	<b>100.0</b>
C10	Reclass	0	0	359,379	100.0	0	0	359,501	100.0

### Justification

C10	Reclassification is requested for one (1) position as follows: Criminal Insurance Fraud Investigator Grade C119 to Assistant Director Fraud Investigation Grade C126. The new title and grade are more reflective of the responsibilities and duties of position. The increased volume and complexity of fraud cases submitted to the Division requires the Director to spend more time with staff attorneys and prosecutors.
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## **Analysis of Budget Request**

**Appropriation:** 2SY - Insurance Fraud Investigation Division

**Funding Sources:** TIF - Insurance Fraud Investigation Division Trust Fund

Act 337 of 1997 (A.C.A. §23-100-101 et seq.) provides for funding of an Insurance Fraud Investigation Division in the State Insurance Department to investigate suspected cases of fraud over a broad range of activities in the insurance industry in Arkansas. An annual administrative and regulatory fee exclusively to support fraud investigation efforts is collected annually from each company under the Department's jurisdiction.

Base Level Regular Salaries and Personal Services Matching include Career Service payments for eligible employees. Personal Services Matching also includes a \$20 increase in the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$410 per month. Base Level salaries and matching do not include appropriation for a Cost of Living Adjustment or Merit Pay Increases.

Base Level for this program is \$993,097 for FY14 and \$994,073 for FY15, with 11 positions budgeted. The only change requested is an increase of \$20,000 each year in Operating Expenses due to higher rent of office space in a new location.

The Executive Recommendation provides for the Agency Request.

## Appropriation Summary

**Appropriation:** 2SY - Insurance Fraud Investigation Division

**Funding Sources:** TIF - Insurance Fraud Investigation Division Trust Fund

### Historical Data

### Agency Request and Executive Recommendation

Commitment Item		2011-2012	2012-2013	2012-2013	2013-2014			2014-2015		
		Actual	Budget	Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries	5010000	626,142	590,824	605,084	590,924	590,924	590,924	591,724	591,724	591,724
<b>#Positions</b>		<b>11</b>	<b>11</b>	<b>11</b>	<b>11</b>	<b>11</b>	<b>11</b>	<b>11</b>	<b>11</b>	<b>11</b>
Personal Services Matching	5010003	189,017	181,875	170,761	184,538	184,538	184,538	184,714	184,714	184,714
Operating Expenses	5020002	113,569	171,635	171,635	171,635	191,635	191,635	171,635	191,635	191,635
Conference & Travel Expenses	5050009	7,292	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000
Professional Fees	5060010	37	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Capital Outlay	5120011	0	0	0	0	0	0	0	0	0
<b>Total</b>		<b>936,057</b>	<b>990,334</b>	<b>993,480</b>	<b>993,097</b>	<b>1,013,097</b>	<b>1,013,097</b>	<b>994,073</b>	<b>1,014,073</b>	<b>1,014,073</b>
<b>Funding Sources</b>										
Fund Balance	4000005	1,359,299	1,051,601		811,267	811,267	811,267	568,170	548,170	548,170
Special Revenue	4000030	628,359	750,000		750,000	750,000	750,000	750,000	750,000	750,000
<b>Total Funding</b>		<b>1,987,658</b>	<b>1,801,601</b>		<b>1,561,267</b>	<b>1,561,267</b>	<b>1,561,267</b>	<b>1,318,170</b>	<b>1,298,170</b>	<b>1,298,170</b>
Excess Appropriation/(Funding)		(1,051,601)	(811,267)		(568,170)	(548,170)	(548,170)	(324,097)	(284,097)	(284,097)
<b>Grand Total</b>		<b>936,057</b>	<b>990,334</b>		<b>993,097</b>	<b>1,013,097</b>	<b>1,013,097</b>	<b>994,073</b>	<b>1,014,073</b>	<b>1,014,073</b>

FY13 Budget amount in Personal Services Matching exceeds the Authorized amount due to matching rate adjustments during the 2011-2013 Biennium.

## Change Level by Appropriation

**Appropriation:** 2SY - Insurance Fraud Investigation Division  
**Funding Sources:** TIF - Insurance Fraud Investigation Division Trust Fund

### Agency Request

Change Level		2013-2014	Pos	Cumulative	% of BL	2014-2015	Pos	Cumulative	% of BL
<b>BL</b>	<b>Base Level</b>	<b>993,097</b>	<b>11</b>	<b>993,097</b>	<b>100.0</b>	<b>994,073</b>	<b>11</b>	<b>994,073</b>	<b>100.0</b>
C01	Existing Program	20,000	0	1,013,097	102.0	20,000	0	1,014,073	102.0

### Executive Recommendation

Change Level		2013-2014	Pos	Cumulative	% of BL	2014-2015	Pos	Cumulative	% of BL
<b>BL</b>	<b>Base Level</b>	<b>993,097</b>	<b>11</b>	<b>993,097</b>	<b>100.0</b>	<b>994,073</b>	<b>11</b>	<b>994,073</b>	<b>100.0</b>
C01	Existing Program	20,000	0	1,013,097	102.0	20,000	0	1,014,073	102.0

### Justification

C01	Additional \$20,000 each year to cover increase of office space square footage due to move.
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## **Analysis of Budget Request**

**Appropriation:** 2SZ - Prepaid Funeral Benefits Division

**Funding Sources:** TIP - State Insurance Department Prepaid Trust Fund

Act 372 of 1997 (Arkansas Code §23-40-107 et seq.) provides for administration of prepaid funeral benefit plans in the State of Arkansas and established the Division of Prepaid Funeral Benefits within the State Insurance Department for this purpose. Funding is derived from initial application or renewal fees for annual permits to sell prepaid funeral benefits. Base Level is \$376,482 each year, with 4 positions budgeted.

Base Level Regular Salaries and Personal Services Matching include Career Service payments for eligible employees. Personal Services Matching also includes a \$20 increase in the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$410 per month. Base Level salaries and matching do not include appropriation for a Cost of Living Adjustment or Merit Pay Increases.

The Department is requesting Base Level only for this program.

The Executive Recommendation provides for the Agency Request.

## Appropriation Summary

**Appropriation:** 2SZ - Prepaid Funeral Benefits Division

**Funding Sources:** TIP - State Insurance Department Prepaid Trust Fund

### Historical Data

### Agency Request and Executive Recommendation

Commitment Item		Historical Data			2013-2014			2014-2015		
		2011-2012 Actual	2012-2013 Budget	2012-2013 Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries	5010000	221,515	208,415	211,696	208,415	208,415	208,415	208,415	208,415	208,415
<b>#Positions</b>		<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>
Personal Services Matching	5010003	60,346	64,717	60,899	65,677	65,677	65,677	65,677	65,677	65,677
Operating Expenses	5020002	17,907	71,390	71,390	71,390	71,390	71,390	71,390	71,390	71,390
Conference & Travel Expenses	5050009	0	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Professional Fees	5060010	0	27,000	27,000	27,000	27,000	27,000	27,000	27,000	27,000
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Capital Outlay	5120011	0	0	0	0	0	0	0	0	0
<b>Total</b>		<b>299,768</b>	<b>375,522</b>	<b>374,985</b>	<b>376,482</b>	<b>376,482</b>	<b>376,482</b>	<b>376,482</b>	<b>376,482</b>	<b>376,482</b>
<b>Funding Sources</b>										
Fund Balance	4000005	813,648	830,519		719,997	719,997	719,997	608,515	608,515	608,515
Special Revenue	4000030	316,639	265,000		265,000	265,000	265,000	265,000	265,000	265,000
<b>Total Funding</b>		<b>1,130,287</b>	<b>1,095,519</b>		<b>984,997</b>	<b>984,997</b>	<b>984,997</b>	<b>873,515</b>	<b>873,515</b>	<b>873,515</b>
Excess Appropriation/(Funding)		(830,519)	(719,997)		(608,515)	(608,515)	(608,515)	(497,033)	(497,033)	(497,033)
<b>Grand Total</b>		<b>299,768</b>	<b>375,522</b>		<b>376,482</b>	<b>376,482</b>	<b>376,482</b>	<b>376,482</b>	<b>376,482</b>	<b>376,482</b>

FY13 Budget amount in Personal Services Matching exceeds the Authorized amount due to matching rate adjustments during the 2011-2013 Biennium.

## **Analysis of Budget Request**

**Appropriation:** 2TA - Continuing Education Program

**Funding Sources:** TIE - Insurance Continuing Education Trust Fund

The Insurance Department's Continuing Education Program has one position budgeted to process continuing education records that are required for agent license renewals. Funding is provided from continuing education application fees, as authorized in Arkansas Code §23-64-308.

Base Level Regular Salaries and Personal Services Matching include Career Service payments for eligible employees. Personal Services Matching also includes a \$20 increase in the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$410 per month. Base Level salaries and matching do not include appropriation for a Cost of Living Adjustment or Merit Pay Increases.

The Department is requesting continuation at the Base Level of \$35,764 each year.

The Executive Recommendation provides for the Agency Request.

## Appropriation Summary

**Appropriation:** 2TA - Continuing Education Program  
**Funding Sources:** TIE - Insurance Continuing Education Trust Fund

### Historical Data

### Agency Request and Executive Recommendation

Commitment Item		Historical Data			2013-2014			2014-2015		
		2011-2012 Actual	2012-2013 Budget	2012-2013 Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries	5010000	0	25,268	27,279	25,268	25,268	25,268	25,268	25,268	25,268
<b>#Positions</b>		<b>0</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>
Personal Services Matching	5010003	4,682	10,256	10,196	10,496	10,496	10,496	10,496	10,496	10,496
<b>Total</b>		<b>4,682</b>	<b>35,524</b>	<b>37,475</b>	<b>35,764</b>	<b>35,764</b>	<b>35,764</b>	<b>35,764</b>	<b>35,764</b>	<b>35,764</b>
<b>Funding Sources</b>										
Fund Balance	4000005	1,012,922	1,154,584		1,239,060	1,239,060	1,239,060	1,323,296	1,323,296	1,323,296
Special Revenue	4000030	146,344	120,000		120,000	120,000	120,000	120,000	120,000	120,000
<b>Total Funding</b>		<b>1,159,266</b>	<b>1,274,584</b>		<b>1,359,060</b>	<b>1,359,060</b>	<b>1,359,060</b>	<b>1,443,296</b>	<b>1,443,296</b>	<b>1,443,296</b>
Excess Appropriation/(Funding)		(1,154,584)	(1,239,060)		(1,323,296)	(1,323,296)	(1,323,296)	(1,407,532)	(1,407,532)	(1,407,532)
<b>Grand Total</b>		<b>4,682</b>	<b>35,524</b>		<b>35,764</b>	<b>35,764</b>	<b>35,764</b>	<b>35,764</b>	<b>35,764</b>	<b>35,764</b>

FY13 Budget amount in Personal Services Matching exceeds the Authorized amount due to matching rate adjustments during the 2011-2013 Biennium.

## **Analysis of Budget Request**

**Appropriation:** 2TB - State Employee Claims

**Funding Sources:** TUW - Workers' Compensation Revolving Fund

The Insurance Department's Public Employee Claims Section is the processor of workers' compensation claims payments for employees of the State. Revolving funds derived from agency workers' compensation benefits contributions are the revenue sources for this appropriation, as authorized in Arkansas Code §19-5-805. Base Level is \$15,000,000 each year. The Department is requesting the addition of \$1,000,000 each year to assure sufficient appropriation to cover the growing level of claims expenses.

The Executive Recommendation provides for the Agency Request.

## Appropriation Summary

**Appropriation:** 2TB - State Employee Claims

**Funding Sources:** TUW - Workers' Compensation Revolving Fund

### Historical Data

### Agency Request and Executive Recommendation

Commitment Item		Historical Data			2013-2014			2014-2015		
		2011-2012 Actual	2012-2013 Budget	2012-2013 Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Claims	5110015	12,599,583	15,000,000	15,000,000	15,000,000	16,000,000	16,000,000	15,000,000	16,000,000	16,000,000
Total		12,599,583	15,000,000	15,000,000	15,000,000	16,000,000	16,000,000	15,000,000	16,000,000	16,000,000
<b>Funding Sources</b>										
Workers' Comp Revolving	4000735	12,599,583	15,000,000		15,000,000	16,000,000	16,000,000	15,000,000	16,000,000	16,000,000
Total Funding		12,599,583	15,000,000		15,000,000	16,000,000	16,000,000	15,000,000	16,000,000	16,000,000
Excess Appropriation/(Funding)		0	0		0	0	0	0	0	0
Grand Total		12,599,583	15,000,000		15,000,000	16,000,000	16,000,000	15,000,000	16,000,000	16,000,000

## Change Level by Appropriation

**Appropriation:** 2TB - State Employee Claims  
**Funding Sources:** TUW - Workers' Compensation Revolving Fund

### Agency Request

Change Level		2013-2014	Pos	Cumulative	% of BL	2014-2015	Pos	Cumulative	% of BL
<b>BL</b>	<b>Base Level</b>	<b>15,000,000</b>	<b>0</b>	<b>15,000,000</b>	<b>100.0</b>	<b>15,000,000</b>	<b>0</b>	<b>15,000,000</b>	<b>100.0</b>
C01	Existing Program	1,000,000	0	16,000,000	106.7	1,000,000	0	16,000,000	106.7

### Executive Recommendation

Change Level		2013-2014	Pos	Cumulative	% of BL	2014-2015	Pos	Cumulative	% of BL
<b>BL</b>	<b>Base Level</b>	<b>15,000,000</b>	<b>0</b>	<b>15,000,000</b>	<b>100.0</b>	<b>15,000,000</b>	<b>0</b>	<b>15,000,000</b>	<b>100.0</b>
C01	Existing Program	1,000,000	0	16,000,000	106.7	1,000,000	0	16,000,000	106.7

### Justification

C01	Requesting an additional \$1,000,000 each year to assure sufficient resources are available to process all workers' compensation claims payments for State employees.
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## **Analysis of Budget Request**

**Appropriation:** 2TC - Governmental Bonding Board Operations

**Funding Sources:** TFB - Fidelity Bond Trust Fund

The State Insurance Department is the managing agency for the appropriation through which the Governmental Bonding Board administers the Self-Insured Fidelity Bond Program on behalf of officials and public employees of counties, municipalities, public schools, and the State of Arkansas. Funding is authorized in A.C.A. §21-2-711 and is derived from bond premiums withheld from the County Aid, Municipal Aid, and Public School funds and from premiums transferred from the fund accounts of State agencies.

Base Level for this program is \$2,104,855 each year. The Agency is requesting an additional \$2,000,000 each year for the Claims line item to assure sufficient resources to process all claims received during each fiscal year.

The Executive Recommendation provides for the Agency Request.

## Appropriation Summary

**Appropriation:** 2TC - Governmental Bonding Board Operations

**Funding Sources:** TFB - Fidelity Bond Trust Fund

### Historical Data

### Agency Request and Executive Recommendation

Commitment Item		Historical Data			Agency Request and Executive Recommendation			Agency Request and Executive Recommendation		
		2011-2012 Actual	2012-2013 Budget	2012-2013 Authorized	2013-2014			2014-2015		
					Base Level	Agency	Executive	Base Level	Agency	Executive
Operating Expenses	5020002	361	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Conference & Travel Expenses	5050009	0	0	0	0	0	0	0	0	0
Professional Fees	5060010	0	0	0	0	0	0	0	0	0
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Refunds/Reimbursements	5110014	1,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Claims	5110015	992,011	1,000,000	1,000,000	1,000,000	3,000,000	3,000,000	1,000,000	3,000,000	3,000,000
Capital Outlay	5120011	0	0	0	0	0	0	0	0	0
Investments	5120013	0	760,637	760,637	760,637	760,637	760,637	760,637	760,637	760,637
Professional Services	5900043	0	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Reinsurance	5900046	0	139,218	139,218	139,218	139,218	139,218	139,218	139,218	139,218
<b>Total</b>		<b>993,372</b>	<b>2,104,855</b>	<b>2,104,855</b>	<b>2,104,855</b>	<b>4,104,855</b>	<b>4,104,855</b>	<b>2,104,855</b>	<b>4,104,855</b>	<b>4,104,855</b>
<b>Funding Sources</b>										
Fund Balance	4000005	3,502,618	3,175,145		3,175,145	3,175,145	3,175,145	3,175,145	3,175,145	3,175,145
Trust Fund	4000050	665,899	2,104,855		2,104,855	4,104,855	4,104,855	2,104,855	4,104,855	4,104,855
Total Funding		4,168,517	5,280,000		5,280,000	7,280,000	7,280,000	5,280,000	7,280,000	7,280,000
Excess Appropriation/(Funding)		(3,175,145)	(3,175,145)		(3,175,145)	(3,175,145)	(3,175,145)	(3,175,145)	(3,175,145)	(3,175,145)
<b>Grand Total</b>		<b>993,372</b>	<b>2,104,855</b>		<b>2,104,855</b>	<b>4,104,855</b>	<b>4,104,855</b>	<b>2,104,855</b>	<b>4,104,855</b>	<b>4,104,855</b>

## Change Level by Appropriation

**Appropriation:** 2TC - Governmental Bonding Board Operations  
**Funding Sources:** TFB - Fidelity Bond Trust Fund

### Agency Request

Change Level		2013-2014	Pos	Cumulative	% of BL	2014-2015	Pos	Cumulative	% of BL
<b>BL</b>	<b>Base Level</b>	<b>2,104,855</b>	<b>0</b>	<b>2,104,855</b>	<b>100.0</b>	<b>2,104,855</b>	<b>0</b>	<b>2,104,855</b>	<b>100.0</b>
C01	Existing Program	2,000,000	0	4,104,855	195.0	2,000,000	0	4,104,855	195.0

### Executive Recommendation

Change Level		2013-2014	Pos	Cumulative	% of BL	2014-2015	Pos	Cumulative	% of BL
<b>BL</b>	<b>Base Level</b>	<b>2,104,855</b>	<b>0</b>	<b>2,104,855</b>	<b>100.0</b>	<b>2,104,855</b>	<b>0</b>	<b>2,104,855</b>	<b>100.0</b>
C01	Existing Program	2,000,000	0	4,104,855	195.0	2,000,000	0	4,104,855	195.0

### Justification

C01	Requesting an additional \$2,000,000 each year to assure sufficient resources are available to process claims payments.								
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## **Analysis of Budget Request**

**Appropriation:** 2TD - Public Employees Claims Section

**Funding Sources:** HUA - Miscellaneous Agencies Fund

This program is funded by transfers from the Public School Fund, the County Aid Fund, the Municipal Aid Fund, and the fund accounts of State agencies for which workers' compensation claims are administered by this Section, as authorized in Arkansas Code §11-9-307. Base Level is \$1,527,817 for FY14 and \$1,528,915 for FY15, with 23 positions budgeted.

Base Level Regular Salaries and Personal Services Matching include Career Service payments for eligible employees. Personal Services Matching also includes a \$20 increase in the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$410 per month. Base Level salaries and matching do not include appropriation for a Cost of Living Adjustment or Merit Pay Increases.

In addition to Base Level, the Department is requesting an increase in Operating Expenses of \$9,000 each year due to higher rent of office space in a new location and the reclassification of one position: A Workers Compensation Specialist to a Workers Compensation Program Manager, both at Grade C121.

The Executive Recommendation provides for the Agency Request.

## Appropriation Summary

**Appropriation:** 2TD - Public Employees Claims Section

**Funding Sources:** HUA - Miscellaneous Agencies Fund

### Historical Data

### Agency Request and Executive Recommendation

Commitment Item		Historical Data			2013-2014			2014-2015		
		2011-2012 Actual	2012-2013 Budget	2012-2013 Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries	5010000	1,014,195	944,115	1,020,250	956,375	956,375	956,375	957,275	957,275	957,275
<b>#Positions</b>		<b>23</b>	<b>23</b>	<b>24</b>	<b>23</b>	<b>23</b>	<b>23</b>	<b>23</b>	<b>23</b>	<b>23</b>
Personal Services Matching	5010003	325,742	316,006	315,865	324,233	324,233	324,233	324,431	324,431	324,431
Operating Expenses	5020002	167,885	233,209	233,209	233,209	242,209	242,209	233,209	242,209	242,209
Conference & Travel Expenses	5050009	7,314	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000
Professional Fees	5060010	0	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Capital Outlay	5120011	0	0	0	0	0	0	0	0	0
<b>Total</b>		<b>1,515,136</b>	<b>1,507,330</b>	<b>1,583,324</b>	<b>1,527,817</b>	<b>1,536,817</b>	<b>1,536,817</b>	<b>1,528,915</b>	<b>1,537,915</b>	<b>1,537,915</b>
<b>Funding Sources</b>										
Special Revenue	4000030	1,515,136	1,507,330		1,527,817	1,536,817	1,536,817	1,528,915	1,537,915	1,537,915
<b>Total Funding</b>		<b>1,515,136</b>	<b>1,507,330</b>		<b>1,527,817</b>	<b>1,536,817</b>	<b>1,536,817</b>	<b>1,528,915</b>	<b>1,537,915</b>	<b>1,537,915</b>
Excess Appropriation/(Funding)		0	0		0	0	0	0	0	0
<b>Grand Total</b>		<b>1,515,136</b>	<b>1,507,330</b>		<b>1,527,817</b>	<b>1,536,817</b>	<b>1,536,817</b>	<b>1,528,915</b>	<b>1,537,915</b>	<b>1,537,915</b>

FY13 Budget amount in Personal Services Matching exceeds the Authorized amount due to matching rate adjustments during the 2011-2013 Biennium.

## Change Level by Appropriation

**Appropriation:** 2TD - Public Employees Claims Section  
**Funding Sources:** HUA - Miscellaneous Agencies Fund

### Agency Request

Change Level		2013-2014	Pos	Cumulative	% of BL	2014-2015	Pos	Cumulative	% of BL
<b>BL</b>	<b>Base Level</b>	<b>1,527,817</b>	<b>23</b>	<b>1,527,817</b>	<b>100.0</b>	<b>1,528,915</b>	<b>23</b>	<b>1,528,915</b>	<b>100.0</b>
C01	Existing Program	9,000	0	1,536,817	100.6	9,000	0	1,537,915	100.6
C10	Reclass	0	0	1,536,817	100.6	0	0	1,537,915	100.6

### Executive Recommendation

Change Level		2013-2014	Pos	Cumulative	% of BL	2014-2015	Pos	Cumulative	% of BL
<b>BL</b>	<b>Base Level</b>	<b>1,527,817</b>	<b>23</b>	<b>1,527,817</b>	<b>100.0</b>	<b>1,528,915</b>	<b>23</b>	<b>1,528,915</b>	<b>100.0</b>
C01	Existing Program	9,000	0	1,536,817	100.6	9,000	0	1,537,915	100.6
C10	Reclass	0	0	1,536,817	100.6	0	0	1,537,915	100.6

### Justification

C01	Requesting an additional \$9,000 each year to cover increase in office rent due to relocation of this division to other quarters.
C10	Requesting reclassification of one (1) position of Workers Comp Specialist, Grade C121, to Workers Comp Program Manager, Grade C121.

## **Analysis of Budget Request**

**Appropriation:** 2TE - Health Information Counseling

**Funding Sources:** FID - Insurance Department - Federal

The Insurance Department's Health Information Counseling Program is 100% federally funded by the U.S. Department of Health and Human Services. Its purpose is to develop and maintain a network of local volunteers to dispense information and assist senior citizens with their insurance needs.

Base Level Regular Salaries and Personal Services Matching include Career Service payments for eligible employees. Personal Services Matching also includes a \$20 increase in the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$410 per month. Base Level salaries and matching do not include appropriation for a Cost of Living Adjustment or Merit Pay Increases.

Base Level for this program is \$916,715 each year and is the Agency Request.

The Executive Recommendation provides for the Agency Request.

## Appropriation Summary

**Appropriation:** 2TE - Health Information Counseling

**Funding Sources:** FID - Insurance Department - Federal

### Historical Data

### Agency Request and Executive Recommendation

Commitment Item	2011-2012 Actual	2012-2013 Budget	2012-2013 Authorized	2013-2014			2014-2015		
				Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries 5010000	238,683	234,365	167,887	202,116	202,116	202,116	202,116	202,116	202,116
<b>#Positions</b>	<b>7</b>	<b>7</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>
Personal Services Matching 5010003	73,863	84,484	57,346	74,127	74,127	74,127	74,127	74,127	74,127
Operating Expenses 5020002	162,928	350,663	307,107	284,063	284,063	284,063	284,063	284,063	284,063
Conference & Travel Expenses 5050009	0	2,500	0	0	0	0	0	0	0
Professional Fees 5060010	313,167	700,204	480,204	356,409	356,409	356,409	356,409	356,409	356,409
Data Processing 5090012	0	0	0	0	0	0	0	0	0
Capital Outlay 5120011	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>788,641</b>	<b>1,372,216</b>	<b>1,012,544</b>	<b>916,715</b>	<b>916,715</b>	<b>916,715</b>	<b>916,715</b>	<b>916,715</b>	<b>916,715</b>
<b>Funding Sources</b>									
Federal Revenue 4000020	788,641	1,372,216		916,715	916,715	916,715	916,715	916,715	916,715
Total Funding	788,641	1,372,216		916,715	916,715	916,715	916,715	916,715	916,715
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
<b>Grand Total</b>	<b>788,641</b>	<b>1,372,216</b>		<b>916,715</b>	<b>916,715</b>	<b>916,715</b>	<b>916,715</b>	<b>916,715</b>	<b>916,715</b>

Budget exceeds Authorized Appropriation in various line items due to transfers from the Miscellaneous Federal Grant Holding Account.

## **Analysis of Budget Request**

**Appropriation:** 2TF - Refunds of Overpayments

**Funding Sources:** MTA - Miscellaneous Revolving Fund

The Insurance Department requests that its Refunds of Overpayments appropriation be approved to continue at the current level of \$11,000,000 each year. This account is used to return premium taxes paid to this State in error and to return amounts that are overpaid.

The Executive Recommendation provides for the Agency Request.

## Appropriation Summary

**Appropriation:** 2TF - Refunds of Overpayments  
**Funding Sources:** MTA - Miscellaneous Revolving Fund

### Historical Data

### Agency Request and Executive Recommendation

Commitment Item	Historical Data			2013-2014			2014-2015		
	2011-2012 Actual	2012-2013 Budget	2012-2013 Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Refunds/Reimbursements 5110014	2,975,863	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000
<b>Total</b>	<b>2,975,863</b>	<b>11,000,000</b>	<b>11,000,000</b>	<b>11,000,000</b>	<b>11,000,000</b>	<b>11,000,000</b>	<b>11,000,000</b>	<b>11,000,000</b>	<b>11,000,000</b>
<b>Funding Sources</b>									
Miscellaneous Revolving 4000350	2,975,863	11,000,000		11,000,000	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000
<b>Total Funding</b>	<b>2,975,863</b>	<b>11,000,000</b>		<b>11,000,000</b>	<b>11,000,000</b>	<b>11,000,000</b>	<b>11,000,000</b>	<b>11,000,000</b>	<b>11,000,000</b>
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
<b>Grand Total</b>	<b>2,975,863</b>	<b>11,000,000</b>		<b>11,000,000</b>	<b>11,000,000</b>	<b>11,000,000</b>	<b>11,000,000</b>	<b>11,000,000</b>	<b>11,000,000</b>

## **Analysis of Budget Request**

**Appropriation:** 2TG - Public School Employees Claims

**Funding Sources:** MTA - Miscellaneous Revolving Fund

The Insurance Department's Public Employee Claims Section is the processor of payments for long-term workers' compensation claims filed prior to July 1, 1994, by public school employees. Revolving funds derived from employer workers' compensation benefits contributions are the revenue sources for the appropriation through which claims payments are made, as authorized in A.C.A. §19-5-1009.

The Department is requesting continuation of the Base Level of \$450,000 each year.

The Executive Recommendation provides for the Agency Request.

# Appropriation Summary

**Appropriation:** 2TG - Public School Employees Claims

**Funding Sources:** MTA - Miscellaneous Revolving Fund

## Historical Data

## Agency Request and Executive Recommendation

Commitment Item	Historical Data			2013-2014			2014-2015		
	2011-2012 Actual	2012-2013 Budget	2012-2013 Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Claims 5110015	152,256	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000
Total	152,256	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000
<b>Funding Sources</b>									
Miscellaneous Revolving 4000350	152,256	450,000		450,000	450,000	450,000	450,000	450,000	450,000
Total Funding	152,256	450,000		450,000	450,000	450,000	450,000	450,000	450,000
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
Grand Total	152,256	450,000		450,000	450,000	450,000	450,000	450,000	450,000

## **Analysis of Budget Request**

**Appropriation:** 2TH - County Employee Claims

**Funding Sources:** MTA - Miscellaneous Revolving Fund

The Insurance Department's Public Employee Claims Section is the processor of payments for long-term workers' compensation claims filed prior to January 1, 1985, by county employees. Revolving funds derived from employer workers' compensation benefits contributions are the revenue sources for the appropriation through which claims payments are made, as authorized in Arkansas Code §19-5-1009.

The Department is requesting continuation of the Base Level of \$200,000 each year.

The Executive Recommendation provides for the Agency Request.

## Appropriation Summary

**Appropriation:** 2TH - County Employee Claims

**Funding Sources:** MTA - Miscellaneous Revolving Fund

### Historical Data

### Agency Request and Executive Recommendation

Commitment Item	2011-2012 Actual	2012-2013 Budget	2012-2013 Authorized	2013-2014			2014-2015		
				Base Level	Agency	Executive	Base Level	Agency	Executive
Claims 5110015	14,575	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Total	14,575	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
<b>Funding Sources</b>									
Miscellaneous Revolving 4000350	14,575	200,000		200,000	200,000	200,000	200,000	200,000	200,000
Total Funding	14,575	200,000		200,000	200,000	200,000	200,000	200,000	200,000
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
Grand Total	14,575	200,000		200,000	200,000	200,000	200,000	200,000	200,000

## **Analysis of Budget Request**

**Appropriation:** 2TJ - City Employee Claims

**Funding Sources:** MTA - Miscellaneous Revolving Fund

The Insurance Department's Public Employee Claims Section is the processor of payments for long-term workers' compensation claims filed prior to January 1, 1985, by city employees. Revolving funds derived from employer workers' compensation benefits contributions are the revenue sources for the appropriation through which claims payments are made, as authorized in Arkansas Code §19-5-1009.

The Department is requesting continuation of the Base Level of \$600,000 each year.

The Executive Recommendation provides for the Agency Request.

## Appropriation Summary

**Appropriation:** 2TJ - City Employee Claims

**Funding Sources:** MTA - Miscellaneous Revolving Fund

### Historical Data

### Agency Request and Executive Recommendation

Commitment Item	2011-2012 Actual	2012-2013 Budget	2012-2013 Authorized	2013-2014			2014-2015		
				Base Level	Agency	Executive	Base Level	Agency	Executive
Claims 5110015	28,446	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000
Total	28,446	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000
Funding Sources									
Miscellaneous Revolving 4000350	28,446	600,000		600,000	600,000	600,000	600,000	600,000	600,000
Total Funding	28,446	600,000		600,000	600,000	600,000	600,000	600,000	600,000
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
Grand Total	28,446	600,000		600,000	600,000	600,000	600,000	600,000	600,000

## **Analysis of Budget Request**

**Appropriation:** 2TK - Consumer Info System - Cash

**Funding Sources:** NDD - Insurance Department - Cash in Treasury

The Department's Consumer Information System Cash Fund is used to dispense information to the public concerning the various policy types, coverages, and purchasing options offered by the insurance industry. Base Level for this program is \$97,546 each year and is the request for 2013-2015.

The current Cash in Treasury balance and previous funding support for this program were derived from a \$100 annual assessment levied on each licensed insurer, as authorized in Arkansas Code §23-63-108. This assessment is no longer collected and support of consumer information through this appropriation will end when the current fund balance and earned interest have been depleted.

The Executive Recommendation provides for the Agency Request.

## Appropriation Summary

**Appropriation:** 2TK - Consumer Info System - Cash  
**Funding Sources:** NDD - Insurance Department - Cash in Treasury

### Historical Data

### Agency Request and Executive Recommendation

Commitment Item		Historical Data			2013-2014			2014-2015		
		2011-2012 Actual	2012-2013 Budget	2012-2013 Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Operating Expenses	5020002	14,853	98,887	130,166	97,546	97,546	97,546	97,546	97,546	97,546
Conference & Travel Expenses	5050009	0	0	0	0	0	0	0	0	0
Professional Fees	5060010	0	0	0	0	0	0	0	0	0
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Capital Outlay	5120011	0	0	0	0	0	0	0	0	0
<b>Total</b>		<b>14,853</b>	<b>98,887</b>	<b>130,166</b>	<b>97,546</b>	<b>97,546</b>	<b>97,546</b>	<b>97,546</b>	<b>97,546</b>	<b>97,546</b>
<b>Funding Sources</b>										
Fund Balance	4000005	110,868	97,507		0	0	0	0	0	0
Cash Fund	4000045	1,492	1,380		0	0	0	0	0	0
<b>Total Funding</b>		<b>112,360</b>	<b>98,887</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Excess Appropriation/(Funding)		(97,507)	0		97,546	97,546	97,546	97,546	97,546	97,546
<b>Grand Total</b>		<b>14,853</b>	<b>98,887</b>		<b>97,546</b>	<b>97,546</b>	<b>97,546</b>	<b>97,546</b>	<b>97,546</b>	<b>97,546</b>

## **Analysis of Budget Request**

**Appropriation:** 2TM - Travel & Subsistence-Cash

**Funding Sources:** NDD - Insurance Department - Cash in Treasury

The Insurance Department's Travel and Subsistence Cash Fund is currently authorized at \$100,000 each year. Arkansas Code §23-67-220 provides for recovery of reasonable costs incurred by the Department in conducting financial examinations of entities under its jurisdiction. Part of the recovered costs are passed through this account to reimburse individual examiners for their personal expenses incurred during the examination process. The Department is requesting continuation at the Base Level of \$100,000 each year.

The Executive Recommendation provides for the Agency Request.

# Appropriation Summary

**Appropriation:** 2TM - Travel & Subsistence-Cash  
**Funding Sources:** NDD - Insurance Department - Cash in Treasury

## Historical Data

## Agency Request and Executive Recommendation

Commitment Item	Historical Data			2013-2014			2014-2015		
	2011-2012 Actual	2012-2013 Budget	2012-2013 Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Travel & Subsistence Expenses 5900046	55,787	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
<b>Total</b>	55,787	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
<b>Funding Sources</b>									
Fund Balance 4000005	1,075	4,538		0	0	0	0	0	0
Cash Fund 4000045	59,250	95,462		100,000	100,000	100,000	100,000	100,000	100,000
<b>Total Funding</b>	60,325	100,000		100,000	100,000	100,000	100,000	100,000	100,000
Excess Appropriation/(Funding)	(4,538)	0		0	0	0	0	0	0
<b>Grand Total</b>	55,787	100,000		100,000	100,000	100,000	100,000	100,000	100,000

## **Analysis of Budget Request**

**Appropriation:** 2TN - Prepaid Funeral Contracts Recovery

**Funding Sources:** TIP - Prepaid Funeral Contracts Program Recovery Fund

Act 1043 of 2001 established the Prepaid Funeral Contracts Recovery Program to reimburse purchasers of preneed funeral contracts who suffer financial loss due to impairment, insolvency, business interruption, or improper inactivity of a licensed prepaid funeral organization. Funding is authorized from one-time fees of not less than \$5 per contract, up to a maximum set by the State Insurance Commissioner. Such fees collected are to be deposited into the State Insurance Department Prepaid Trust Fund. A portion of these collections may be designated by the State Insurance Commissioner for transfer to the Prepaid Funeral Contracts Recovery Program Fund to pay expenses and claims incurred. The Department is requesting continuation of the Base Level amount of \$500,000 each year for this program.

The Executive Recommendation provides for the Agency Request.

## Appropriation Summary

**Appropriation:** 2TN - Prepaid Funeral Contracts Recovery

**Funding Sources:** TIP - Prepaid Funeral Contracts Program Recovery Fund

### Historical Data

### Agency Request and Executive Recommendation

Commitment Item	2011-2012 Actual	2012-2013 Budget	2012-2013 Authorized	2013-2014			2014-2015		
				Base Level	Agency	Executive	Base Level	Agency	Executive
Expenses & Claims 5900046	17,149	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Total	17,149	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Funding Sources									
Fund Balance 4000005	125,460	119,791		0	0	0	0	0	0
Special Revenue 4000030	11,480	380,209		500,000	500,000	500,000	500,000	500,000	500,000
Total Funding	136,940	500,000		500,000	500,000	500,000	500,000	500,000	500,000
Excess Appropriation/(Funding)	(119,791)	0		0	0	0	0	0	0
Grand Total	17,149	500,000		500,000	500,000	500,000	500,000	500,000	500,000

## **Analysis of Budget Request**

**Appropriation:** 4HH - Criminal Background Checks-Cash

**Funding Sources:** NDD - Criminal Background Checks - Cash in Treasury

The Insurance Department's appropriation for conducting criminal background checks was established by requests from the Cash Fund Holding Account during FY06 and FY07. Funding is provided through a \$22 fee charged to each first-time license applicant and is used to obtain criminal background data from the Arkansas State Police.

This program was appropriated by the General Assembly for the 2011-2013 Biennium in the amounts of \$125,000 each year. The Department is requesting continuation at the Base Level of \$125,000.

The Executive Recommendation provides for the Agency Request.

## Appropriation Summary

**Appropriation:** 4HH - Criminal Background Checks-Cash

**Funding Sources:** NDD - Criminal Background Checks - Cash in Treasury

### Historical Data

### Agency Request and Executive Recommendation

Commitment Item		Historical Data			Agency Request and Executive Recommendation			Agency Request and Executive Recommendation		
		2011-2012 Actual	2012-2013 Budget	2012-2013 Authorized	2013-2014			2014-2015		
					Base Level	Agency	Executive	Base Level	Agency	Executive
Operating Expenses	5020002	81,378	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Conference & Travel Expenses	5050009	0	0	0	0	0	0	0	0	0
Professional Fees	5060010	0	0	0	0	0	0	0	0	0
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Capital Outlay	5120011	0	0	0	0	0	0	0	0	0
<b>Total</b>		<b>81,378</b>	<b>125,000</b>	<b>125,000</b>	<b>125,000</b>	<b>125,000</b>	<b>125,000</b>	<b>125,000</b>	<b>125,000</b>	<b>125,000</b>
<b>Funding Sources</b>										
Fund Balance	4000005	13,245	13,781		0	0	0	0	0	0
Cash Fund	4000045	81,914	111,219		125,000	125,000	125,000	125,000	125,000	125,000
<b>Total Funding</b>		<b>95,159</b>	<b>125,000</b>		<b>125,000</b>	<b>125,000</b>	<b>125,000</b>	<b>125,000</b>	<b>125,000</b>	<b>125,000</b>
Excess Appropriation/(Funding)		(13,781)	0		0	0	0	0	0	0
<b>Grand Total</b>		<b>81,378</b>	<b>125,000</b>		<b>125,000</b>	<b>125,000</b>	<b>125,000</b>	<b>125,000</b>	<b>125,000</b>	<b>125,000</b>

## **Analysis of Budget Request**

**Appropriation:** 56A - Public School Insurance Program

**Funding Sources:** TPS - Public School Insurance Trust Fund

Act 738 of 2007 combined the School Motor Vehicle Operations Program and the Public Elementary and Secondary School Insurance Operations Program into the Public School Insurance Program to more efficiently and more economically provide coverage for the vehicles and property of participating school districts.

Base Level for the combined program is \$14,000,000 each year and is the Agency Request.

The Executive Recommendation provides for the Agency Request.

## Appropriation Summary

**Appropriation:** 56A - Public School Insurance Program

**Funding Sources:** TPS - Public School Insurance Trust Fund

### Historical Data

### Agency Request and Executive Recommendation

Commitment Item		Historical Data			2013-2014			2014-2015		
		2011-2012 Actual	2012-2013 Budget	2012-2013 Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Expenses and Claims	5900046	6,736,393	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000
Total		6,736,393	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000
<b>Funding Sources</b>										
Fund Balance	4000005	8,678,623	9,283,780		9,283,780	9,283,780	9,283,780	9,283,780	9,283,780	9,283,780
Trust Fund	4000050	7,341,550	14,000,000		14,000,000	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000
Total Funding		16,020,173	23,283,780		23,283,780	23,283,780	23,283,780	23,283,780	23,283,780	23,283,780
Excess Appropriation/(Funding)		(9,283,780)	(9,283,780)		(9,283,780)	(9,283,780)	(9,283,780)	(9,283,780)	(9,283,780)	(9,283,780)
Grand Total		6,736,393	14,000,000		14,000,000	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000

## **Analysis of Budget Request**

**Appropriation:** 85P - Health Insurance Premium Rate Review-Federal

**Funding Sources:** FID - Insurance Department - Federal

This federally funded Health Insurance Premium Rate Review Program provides federal dollars from the Department of Health and Human Services to establish or enhance a current state program that will conduct an annual review of health insurance premiums to protect consumers from unreasonable, unjustified, or excessive rate increases. This program is offered through authority in Section 2974 of the federal Public Health Service Act. It was originally established by a miscellaneous federal grant in the amount of \$1,000,000, with 5 positions, approved in October, 2010.

Base Level Regular Salaries and Personal Services Matching include Career Service payments for eligible employees. Personal Services Matching also includes a \$20 increase in the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$410 per month. Base Level salaries and matching do not include appropriation for a Cost of Living Adjustment or Merit Pay Increases.

Base Level for this program is \$891,229 for FY14 and \$891,351 for FY15, with 5 positions budgeted. The Department is requesting the addition of \$2,348,993 each year for continuation of the second phase of this program that was approved as a miscellaneous federal grant in December, 2011.

The Executive Recommendation provides for the Agency Request.

## Appropriation Summary

**Appropriation:** 85P - Health Insurance Premium Rate Review-Federal

**Funding Sources:** FID - Insurance Department - Federal

### Historical Data

### Agency Request and Executive Recommendation

Commitment Item		2011-2012	2012-2013	2012-2013	2013-2014			2014-2015		
		Actual	Budget	Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries	5010000	257,349	1,478,030	329,650	299,901	299,901	299,901	300,001	300,001	300,001
<b>#Positions</b>		<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>
Personal Services Matching	5010003	77,996	374,822	90,455	90,788	90,788	90,788	90,810	90,810	90,810
Operating Expenses	5020002	215,135	884,493	221,332	221,332	884,493	884,493	221,332	884,493	884,493
Conference & Travel Expenses	5050009	5,128	165,641	2,400	2,400	165,641	165,641	2,400	165,641	165,641
Professional Fees	5060010	228,934	1,799,173	276,808	276,808	1,799,173	1,799,173	276,808	1,799,173	1,799,173
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Capital Outlay	5120011	95,737	79,581	79,355	0	226	226	0	226	226
<b>Total</b>		<b>880,279</b>	<b>4,781,740</b>	<b>1,000,000</b>	<b>891,229</b>	<b>3,240,222</b>	<b>3,240,222</b>	<b>891,351</b>	<b>3,240,344</b>	<b>3,240,344</b>
<b>Funding Sources</b>										
Federal Revenue	4000020	880,279	4,781,740		891,229	3,240,222	3,240,222	891,351	3,240,344	3,240,344
Total Funding		880,279	4,781,740		891,229	3,240,222	3,240,222	891,351	3,240,344	3,240,344
Excess Appropriation/(Funding)		0	0		0	0	0	0	0	0
<b>Grand Total</b>		<b>880,279</b>	<b>4,781,740</b>		<b>891,229</b>	<b>3,240,222</b>	<b>3,240,222</b>	<b>891,351</b>	<b>3,240,344</b>	<b>3,240,344</b>

Budget exceeds Authorized Appropriation in various line items due to transfers from the Miscellaneous Federal Grant Holding Account.

## Change Level by Appropriation

**Appropriation:** 85P - Health Insurance Premium Rate Review-Federal  
**Funding Sources:** FID - Insurance Department - Federal

### Agency Request

Change Level		2013-2014	Pos	Cumulative	% of BL	2014-2015	Pos	Cumulative	% of BL
<b>BL</b>	<b>Base Level</b>	<b>891,229</b>	<b>5</b>	<b>891,229</b>	<b>100.0</b>	<b>891,351</b>	<b>5</b>	<b>891,351</b>	<b>100.0</b>
C06	Restore Position/Approp	2,348,993	0	3,240,222	363.6	2,348,993	0	3,240,344	363.5

### Executive Recommendation

Change Level		2013-2014	Pos	Cumulative	% of BL	2014-2015	Pos	Cumulative	% of BL
<b>BL</b>	<b>Base Level</b>	<b>891,229</b>	<b>5</b>	<b>891,229</b>	<b>100.0</b>	<b>891,351</b>	<b>5</b>	<b>891,351</b>	<b>100.0</b>
C06	Restore Position/Approp	2,348,993	0	3,240,222	363.6	2,348,993	0	3,240,344	363.5

### Justification

C06	Requesting continuation of resources added to this federal program by miscellaneous federal grant in December, 2011.
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## **Analysis of Budget Request**

**Appropriation:** 85Q - Health Care Exchange-Federal

**Funding Sources:** FID - Health Care Exchange Planning - Federal

This federally funded Health Care Exchange Planning Program provides federal dollars from the Department of Health and Human Services (HHS) to assist the State of Arkansas in the process of developing Arkansas' Insurance Health Care Exchange within the time frame and requirements determined by the federal Affordable Care Act and subject to regulations established by HHS.

It was established by a miscellaneous federal grant in the amount of \$1,000,000 in October, 2010, and was continued in the 2011-2013 Biennium.

This program is being phased out by the end of September, 2012. The Agency Request is for transfer of one of the program's positions to return it to the State Operations Program. Transfer of the other two positions is requested to the Level One Cooperative Agreement, which is the next phase of this initiative.

The Executive Recommendation provides for the Agency Request.

# Appropriation Summary

**Appropriation:** 85Q - Health Care Exchange-Federal  
**Funding Sources:** FID - Health Care Exchange Planning - Federal

## Historical Data

## Agency Request and Executive Recommendation

Commitment Item	2011-2012 Actual	2012-2013 Budget	2012-2013 Authorized	2013-2014			2014-2015		
				Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries 5010000	128,731	153,257	126,695	153,357	0	0	153,357	0	0
<b>#Positions</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>0</b>	<b>0</b>
Personal Services Matching 5010003	35,899	47,864	34,980	48,606	0	0	48,606	0	0
Operating Expenses 5020002	30,147	37,877	37,877	0	0	0	0	0	0
Conference & Travel Expenses 5050009	22,100	10,448	10,448	0	0	0	0	0	0
Professional Fees 5060010	637,647	175,327	790,000	0	0	0	0	0	0
Data Processing 5090012	0	0	0	0	0	0	0	0	0
Capital Outlay 5120011	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>854,524</b>	<b>424,773</b>	<b>1,000,000</b>	<b>201,963</b>	<b>0</b>	<b>0</b>	<b>201,963</b>	<b>0</b>	<b>0</b>
<b>Funding Sources</b>									
Federal Revenue 4000020	854,524	424,773		201,963	0	0	201,963	0	0
<b>Total Funding</b>	<b>854,524</b>	<b>424,773</b>		<b>201,963</b>	<b>0</b>	<b>0</b>	<b>201,963</b>	<b>0</b>	<b>0</b>
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
<b>Grand Total</b>	<b>854,524</b>	<b>424,773</b>		<b>201,963</b>	<b>0</b>	<b>0</b>	<b>201,963</b>	<b>0</b>	<b>0</b>

## Change Level by Appropriation

**Appropriation:** 85Q - Health Care Exchange-Federal  
**Funding Sources:** FID - Health Care Exchange Planning - Federal

### Agency Request

Change Level		2013-2014	Pos	Cumulative	% of BL	2014-2015	Pos	Cumulative	% of BL
<b>BL</b>	<b>Base Level</b>	<b>201,963</b>	<b>3</b>	<b>201,963</b>	<b>100.0</b>	<b>201,963</b>	<b>3</b>	<b>201,963</b>	<b>100.0</b>
C07	Agency Transfer	(201,963)	(3)	0	0.0	(201,963)	(3)	0	0.0

### Executive Recommendation

Change Level		2013-2014	Pos	Cumulative	% of BL	2014-2015	Pos	Cumulative	% of BL
<b>BL</b>	<b>Base Level</b>	<b>201,963</b>	<b>3</b>	<b>201,963</b>	<b>100.0</b>	<b>201,963</b>	<b>3</b>	<b>201,963</b>	<b>100.0</b>
C07	Agency Transfer	(201,963)	(3)	0	0.0	(201,963)	(3)	0	0.0

### Justification

C07	Cycle 1 Health Care Exchange - Federal ends in September, 2012. Request the transfer of three positions as follows: One (1) base level position back to the Insurance-State Operations Program and two (2) base level federal positions to the Level 1 Cooperative Agreement.
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## **Analysis of Budget Request**

**Appropriation:** F08 - Level One Cooperative Agreement - Federal

**Funding Sources:** FID - Insurance Department - Federal

The federally funded Level One Cooperative Agreement is the follow up to the Health Care Exchange Planning Program. This phase was approved as a miscellaneous federal grant with 5 positions in April, 2012. It provides federal dollars from the Department of Health and Human Services (HHS) to assist the State of Arkansas in the process of developing a federally funded Arkansas Insurance Health Care Exchange within the time frame and requirements determined by the federal Affordable Care Act and subject to regulations established by HHS.

This request is to continue this program, including the original 5 positions and 2 other positions transferred from the original Planning phase, in the amount of \$7,578,242 each year.

The Executive Recommendation provides for the Agency Request.

## Appropriation Summary

**Appropriation:** F08 - Level One Cooperative Agreement - Federal

**Funding Sources:** FID - Insurance Department - Federal

### Historical Data

### Agency Request and Executive Recommendation

Commitment Item	2011-2012 Actual	2012-2013 Budget	2012-2013 Authorized	2013-2014			2014-2015		
				Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries 5010000	48,417	336,690	0	0	292,711	292,711	0	292,711	292,711
<b>#Positions</b>	<b>5</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>7</b>	<b>7</b>	<b>0</b>	<b>7</b>	<b>7</b>
Personal Services Matching 5010003	11,000	142,303	0	0	99,041	99,041	0	99,041	99,041
Operating Expenses 5020002	29,398	96,504	0	0	96,504	96,504	0	96,504	96,504
Conference & Travel Expenses 5050009	3,792	57,362	0	0	57,362	57,362	0	57,362	57,362
Professional Fees 5060010	29,800	7,032,624	0	0	7,032,624	7,032,624	0	7,032,624	7,032,624
Data Processing 5090012	0	0	0	0	0	0	0	0	0
Capital Outlay 5120011	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>122,407</b>	<b>7,665,483</b>	<b>0</b>	<b>0</b>	<b>7,578,242</b>	<b>7,578,242</b>	<b>0</b>	<b>7,578,242</b>	<b>7,578,242</b>
<b>Funding Sources</b>									
Federal Revenue 4000020	122,407	7,665,483		0	7,578,242	7,578,242	0	7,578,242	7,578,242
<b>Total Funding</b>	<b>122,407</b>	<b>7,665,483</b>		<b>0</b>	<b>7,578,242</b>	<b>7,578,242</b>	<b>0</b>	<b>7,578,242</b>	<b>7,578,242</b>
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
<b>Grand Total</b>	<b>122,407</b>	<b>7,665,483</b>		<b>0</b>	<b>7,578,242</b>	<b>7,578,242</b>	<b>0</b>	<b>7,578,242</b>	<b>7,578,242</b>

This appropriation was established through the authority of the Miscellaneous Federal Program Act.

## Change Level by Appropriation

**Appropriation:** F08 - Level One Cooperative Agreement - Federal  
**Funding Sources:** FID - Insurance Department - Federal

### Agency Request

Change Level		2013-2014	Pos	Cumulative	% of BL	2014-2015	Pos	Cumulative	% of BL
<b>BL</b>	<b>Base Level</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>
C06	Restore Position/Approp	7,407,843	5	7,407,843	100.0	7,407,843	5	7,407,843	100.0
C07	Agency Transfer	170,399	2	7,578,242	102.3	170,399	2	7,578,242	102.3

### Executive Recommendation

Change Level		2013-2014	Pos	Cumulative	% of BL	2014-2015	Pos	Cumulative	% of BL
<b>BL</b>	<b>Base Level</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>
C06	Restore Position/Approp	7,407,843	5	7,407,843	100.0	7,407,843	5	7,407,843	100.0
C07	Agency Transfer	170,399	2	7,578,242	102.3	170,399	2	7,578,242	102.3

### Justification

C06	Continuation of five (5) positions and balance of appropriation originally approved by miscellaneous federal grant in April, 2012.
C07	Transfer of two (2) federal base level positions from Cycle 1 to the Level One Cooperative Agreement to continue operations for the federal Health Care Exchange.

## Appropriation Summary

**Appropriation:** 85Z - Consumer Assistance - Federal

**Funding Sources:** FID - Consumer Assistance-Federal

### Historical Data

### Agency Request and Executive Recommendation

Commitment Item	2011-2012 Actual	2012-2013 Budget	2012-2013 Authorized	2013-2014			2014-2015		
				Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries 5010000	86,434	0	0	0	0	0	0	0	0
<b>#Positions</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Personal Services Matching 5010003	32,137	0	0	0	0	0	0	0	0
Operating Expenses 5020002	95,511	0	0	0	0	0	0	0	0
Conference & Travel Expenses 5050009	3,944	0	0	0	0	0	0	0	0
Professional Fees 5060010	0	0	0	0	0	0	0	0	0
Data Processing 5090012	0	0	0	0	0	0	0	0	0
Capital Outlay 5120011	15,953	0	0	0	0	0	0	0	0
<b>Total</b>	<b>233,979</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Funding Sources</b>									
Federal Revenue 4000020	233,979	0		0	0	0	0	0	0
<b>Total Funding</b>	<b>233,979</b>	<b>0</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
<b>Grand Total</b>	<b>233,979</b>	<b>0</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

THIS APPROPRIATION NOT BEING REQUESTED FOR THE 2013-2015 BIENNIUM.