

Jobs & Entrepreneurship Council

Tuesday, August 28, 2007

1:00 pm – 3:30 pm

404 HOB

Council Meeting Notice
HOUSE OF REPRESENTATIVES

Speaker Marco Rubio

Jobs & Entrepreneurship Council

Start Date and Time: Tuesday, August 28, 2007 01:00 pm

End Date and Time: Tuesday, August 28, 2007 03:30 pm

Location: 404 HOB

Duration: 2.50 hrs

Budget Workshop in anticipation of potential Special Session.

NOTICE FINALIZED on 08/20/2007 17:20 by SJG



The Florida House of Representatives

Jobs & Entrepreneurship Council

Marco Rubio
Speaker

Ron Reagan
Chair

AGENDA

August 28, 2007

404 HOB 1:00 PM – 3:30 PM

- I. Call to Order**

- II. Roll Call**

- III. Presentations by Agency**
 - a. Department of Business & Professional Regulation**
 - b. Department of Financial Services**
 - c. Public Service Commission**
 - d. Office of Financial Regulation**
 - e. Office of Insurance Regulation**

- IV. Questions**

- V. Chair's remarks**

- VI. Adjournment**

Department of **Business &**
Professional Regulation

SCHEDULE VIII B
RECURRING BUDGET ISSUES FOR POSSIBLE REDUCTIONS

AUGUST 28, 2007

**DEPARTMENT OF BUSINESS AND PROFESSIONAL REGULATION
FISCAL YEAR 2007-08 APPROVED BUDGET**

PROGRAM / BUDGET ENTITY	FTE	BUDGET	TRUST FUND
<u>Office of Secretary/Administration</u>			
Executive Direction/Support Services	171.5 \$	15,608,539	Administrative TF
Information Technology	44.0	13,387,219	Administrative TF
<u>Service Operations</u>			
Customer Contact Center	89.0	4,666,477	Administrative TF
Central Intake	107.5	6,760,571	Administrative TF
Testing/Continuing Education	46.0	4,077,657	Professional Regulation TF
<u>Professional Regulation</u>			
Compliance & Enforcement	190.0	18,188,468	Professional Regulation TF
Standards & Licensure	49.0	8,440,830	Professional Regulation TF
Florida Boxing Commission	3.0	428,732	Professional Regulation TF
<u>Pari-Mutuel Wagering</u>			
Pari-Mutuel Wagering	67.0	9,966,366	Pari-Mutuel Wagering TF
Slot Machine Gaming	42.0	7,705,761	Pari-Mutuel Wagering TF
<u>Hotels & Restaurants</u>			
Compliance & Enforcement	297.0	19,014,629	Hotels & Restaurant TF
<u>Alcoholic Beverage & Tobacco</u>			
Compliance & Enforcement	211.75	17,519,549	Alcoholic Beverages & Tobacco TF
Standards & Licensure	61.0	4,013,759	Alcoholic Beverages & Tobacco TF
Tax Collection	106.0	7,165,807	Alcoholic Beverages & Tobacco TF
<u>Florida Land Sales, Condominiums, & Mobile Homes</u>			
Compliance & Enforcement	89.0	5,943,080	Land Sales, Condo, & Mobile Homes TF
Standards & Licensure	31.0	1,934,960	Land Sales, Condo, & Mobile Homes TF
Total FTE / Approved Budget	1,604.75 \$	144,822,404	

**DEPARTMENT OF BUSINESS AND PROFESSIONAL REGULATION
FISCAL YEAR 2007-08 APPROVED BUDGET - PERCENT OF ADMINISTRATION**

ADMINISTRATIVE FUNCTIONS	FTE	% of Total FTE	Budget	% of Total Budget
<u>Office of Secretary/Administration</u>				
Executive Direction/Support Services	<u>171.5</u>	10.7%	\$ <u>15,608,539</u>	10.8%
Information Technology	<u>44.0</u>	2.7%	<u>13,387,219</u>	9.2%
PROGRAM & DIRECT SUPPORT FUNCTIONS				
<u>Service Operations</u>				
Customer Contact Center	89.0	5.5%	4,666,477	3.2%
Central Intake	107.5	6.7%	6,760,571	4.7%
Testing/Continuing Education	46.0	2.9%	4,077,657	2.8%
<u>Professional Regulation</u>				
Compliance & Enforcement	190.0	11.8%	18,188,468	12.6%
Standards & Licensure	49.0	3.1%	8,440,830	5.8%
Florida Boxing Commission	3.0	0.2%	428,732	0.3%
<u>Pari-Mutuel Wagering</u>				
Pari-Mutuel Wagering	67.0	4.2%	9,966,366	6.9%
Slot Machine Gaming	42.0	2.6%	7,705,761	5.3%
<u>Hotels & Restaurants</u>				
Compliance & Enforcement	297.0	18.5%	19,014,629	13.1%
<u>Alcoholic Beverage & Tobacco</u>				
Compliance & Enforcement	211.75	13.2%	17,519,549	12.1%
Standards & Licensure	61.0	3.8%	4,013,759	2.8%
Tax Collection	106.0	6.6%	7,165,807	4.9%
<u>Florida Land Sales, Condominiums, & Mobile Homes</u>				
Compliance & Enforcement	89.0	5.5%	5,943,080	4.1%
Standards & Licensure	31.0	1.9%	1,934,960	1.3%
	<u>1,389.25</u>	86.6%	\$ <u>115,826,646</u>	80.0%
Total Department FTE / Approved Budget	<u>1,604.75</u>		\$ <u>144,822,404</u>	

Administrative functions are centralized in the Office of the Secretary (includes Office of the General Council) and the Division of Administration. Limited direct administration is provided at the Division level.

**DEPARTMENT OF BUSINESS AND PROFESSIONAL REGULATION
TRUST FUNDS**

Trust Fund Name	Statutory Authority	Statutory Purpose of Trust Fund	Funding Source
Administrative Trust Fund	455.116	Operating account for the executive and administrative functions, information technology and Division of Service Operations.	Non-operating transfers from all other operating trust funds within the Department (based on allocation percentages).
Professional Regulation Trust Fund	455.116; 455.219; 215.37; 548.077	Deposit of revenue, appropriation of funds, expenditure of funds and transfers to support the allocated costs of the administrative functions of the department for regulated boards, commissions, professions and programs. Separate accounts are maintained within the fund for each board, commission, professions or program.	Fees, licenses and other charges assessed by the Department or each board within the Department, fees and fines of the Boxing Commission, transfers from the Workers' Comp Administrative Trust Fund, fines from violations of child labor laws and federal funds, fees and fines for the farm labor program.
Pari-mutuel Wagering Trust Fund	455.116; 550.135; 551.106	Deposit of revenue, appropriation of funds, expenditure of funds and transfers to support the allocated costs of the administrative functions of the department in the regulation of pari-mutuel wagering and slot machine gaming.	Daily license fees of race meetings or jai alai games (550.0951), admission tax, tax on handles, and break tax associated with pari-mutuel wagering and licensing fees and fines associated with slot machine gaming. Slot machine revenue tax is deposited to the fund for immediate transfer to the Education Enhancement Trust Fund. Unappropriated funds in excess of \$1.5M are transferred to General Revenue.
Hotel and Restaurant Trust Fund	455.116; 509.072	Deposit of revenue, appropriation of funds, expenditure of funds and transfers to support the allocated costs of the administrative functions of the department in carrying out all laws pertaining to public lodging, public food establishments and elevator inspections.	Funds collected by the division in carrying out laws associated with public lodging and public food service establishments, fees imposed for funding the Hospitality Education Program and in relation to the inspection of elevators.
Alcoholic Beverage and Tobacco Trust Fund	455.116 561.025	Deposit of revenue, appropriation of funds, expenditure of funds, making transfers to support the allocated costs of the administrative functions of the department and distributions as provided in statute as required in carrying out all laws pertaining to tobacco products and the Beverage Law.	Licensing fees, permits and fines from regulating the sale of tobacco products, all funds collected by the division under the Beverage Law (including taxes from the sale of alcoholic beverages) and transfers from the Cigarette Tax Collection TF. Cash balance in excess of \$2M is transferred to General Revenue.
Cigarette Tax Collection Trust Fund	455.116 210.20	A clearing fund for the collection and distribution of all cigarette taxes as provided in s. 210.20, FS. There is no operating budget authority in this fund.	All taxes collected by the Department under the Cigarette Law (Chapter 210, FS) are deposited to the credit of this trust fund.

Federal Law Enforcement Trust Fund	561.027 932.7055	Acceptance of receipt of revenues from the federal government, for use in carrying out assistance to federal law enforcement.	Receipts and revenues from federal criminal, administrative or civil forfeiture proceedings and federal asset sharing programs.
Florida Land Sales, Condominium and Mobile Homes Trust Fund	455.116 498.019	Deposit of revenue, appropriation of funds, expenditure of funds and transfers to support the allocated costs of the administrative functions of the department.	Revenue derived from fees, registrations, permits, fines, or penalties or from court costs awarded to the division in the regulation of condominiums, cooperatives, mobile home parks, homeowners associations, timeshares, yacht and ship brokers and land sales.
Florida Mobile Home Relocation Trust Fund	723.06115	Deposit and transfer of funds to the FI Mobile Home Relocation Corp. The program is administered by the FI Mobile Home Relocation Corporation.	Fee assessments of mobile home park owners pursuant to 723.06116, FS, annual per lot fees, and surcharges.

**DEPARTMENT OF BUSINESS AND PROFESSIONAL REGULATION
PROPOSED BUDGET REDUCTIONS FOR SCHEDULE VIII B - FY 2008-09**

Titles		Trust Fund	FTE	Reduction	Narrative
General Expenditure Reductions					
002	Mailing of reminder notices - CPA	PRTF		6,500	The Certified Public Accountant reminder notices are mailed to notify applicable Florida CPAs, prior to the renewal deadline, that they have not completed one or more of their license renewal requirements.
003	Courier services & microfilming	ATF		57,720	With the full implementation of the document management system the Division of Administration will realize cost savings from discontinuing the use of microfilm and in the reduction in the need for courier services.
004	Hotels & Restaurants Other Capital Outlay	H&RTF		7,500	Division of Hotels and Restaurants proposes to reduce spending for furniture and equipment costing over \$1,000 (OCO). This issue would reduce the appropriation category by \$7,500 leaving a balance of \$1,000 to maintain the category and provide the ability to purchase OCO items should there be an unforeseen situation.
006	Pari-Mutuel Expenditure Reduction (OPS & OCO)	PMWTF		17,300	In the event of a revenue shortfall the Division would reduce spending for furniture and equipment costing over \$1,000 (OCO) and reduce expenditures for temporary staff support (OPS). OPS funds are primarily used for paying expenses related to court reporter services
007	Pari-Mutuel Wagering Equalization	PMWTF		167,725	The Pari-Mutuel Wagering & Tax Equalization appropriation has traditionally been used to supplement temporary (OPS) staff for racing events due to the fluctuation of the number of events in any year. The Tax collection equalization required for oversight of totalizator operations at three of the Florida wagering hubs is no longer needed due to the consolidation of totalizator hubs into one. The recurring appropriations of \$221,654 would be reduced by \$167,725.
021	Conference Participation and Travel	ATF		58,400	The Department spends funds for conference attendance and travel for staff and for the members of professional boards, commissions and councils. In many cases where staff is attending a conference or trade show it is in acceptance of a request to speak or to staff a booth to provide information regarding the licensing requirements for various professions or businesses. If conference attendance is restricted to only those staff members who are participants there would be an estimated \$58,400 in savings based on prior year expenditures.
022	Cell phone & Blackberry reduction	ATF		143,455	The Department has reviewed the number of cell phones and Blackberries issued to staff and has set a reduction target to reduce the number of units issued. An analysis will be made as to the nature of usage and the potential of lost time and lower service levels. If the target can be met without unacceptable customer service consequences, a saving of \$142,899 will be realized. The target is to reduce Blackberries from 150 to 75 and cell phones from 760 to 500.

026	Condominium Ombudsman's excess expense budget	LSCMHTF	60,324	The Office of the Condominium Ombudsman acts as a neutral resource to assist condominium unit owners, boards, board members, community association managers and other affected parties regarding their rights and responsibilities under the Condominium Act. This issue reduces the expense budget based on Fiscal Year 2006-07 spending levels. The reduction will reduce funds available for travel to seminars, condominium meetings, trade shows and other meetings throughout the state for the purpose of educating the condominium community about its right and responsibilities under the law through our attendance at these various events.
025	Construction Exam - convert 1 day to Computer Based Training	PRTF	203,157	The Construction licensure examinations are administered by the Department and conducted over a two day period six times per year. A candidate is required to take both a Trade Knowledge exam and the Business and Finance exam. The Business and Finance exam could be converted from a paper and pencil examination to a computer based administered examination reducing the two day examination administered by the Department to one day. The conversion would result in funding reductions for rental of exam sites, proctors, temporary (OPS) employees who act as exam supervisors, and travel to the exam site. Implementation would require a change to the Administrative Rules.
Contracts				
005	University of Florida Pari-Mutual Laboratory Contract	PMWTF	94,400	Four percent (4%) reduction of the contract with University of Florida, College of Veterinary Medicine, for the operation of the Racing Laboratory that provides testing services. The Racing Lab analyzes blood and urine samples taken from racehorses, and urine samples
012	Slot Machine Gaming Compulsive Gambling Contract	PMWTF	1,000,000	Section 551.118, F.S., requires the Department to enter into a contract for the prevention of compulsive and addictive gambling. The contract was awarded to the Florida Council of Compulsive Gambling, Inc. (FCCG). The program is statutorily required and is funded from an annual nonrefundable regulatory fee of \$250,000 paid by each slot facility licensee to the Division. The recurring appropriation is \$1,000,000.
017	Architects Contracted Services	PRTF	150,000	The Board of Architecture and Interior Design contracts directly with the firm of Smith, Thompson, Shaw & Manausa, P.A, to provide investigative, legal and prosecutorial services necessary for the Board to perform its regulatory duties. The reduction would reduce the contract amount and would affect the Board's ability to maintain the desired service level in performing the regulatory activities. The recurring appropriation is \$525,239. A reduction of \$150,000 will reduce the appropriation to the FY 2003-04 funding level.
018	Florida Engineers Management Corporation Contract (FEMC)	PRTF	150,000	The Florida Engineers Management Corporation (FEMC), under a contract with the Department, provides administrative, investigative and prosecutorial services to the Florida Board of Professional Engineers. The reduction would reduce the cash provided to FEMC and result in budget reductions in their operations which could affect efficiency in processing licensing applications and the corporation's ability to carry out its regulatory functions of the Board. The FEMC is required to return unspent cash at the end of the fiscal year and has historically returned over \$100,000 per year. The recurring appropriation is \$2,170,000.

020	Pari-Mutuel State University System Industry Research	PMWTF	600,000	<p>The Pharmacokinetic & Clearance Study Agreement is an annual \$300,000 appropriation between the University of Florida, College of Veterinary Medicine, and the Department to research the pharmacological and physiology effects of certain drugs or medication on the racehorses. Reduction would prevent access to analysis for potential threshold levels that could clarify usage of permissible drugs and medications in racing animals.</p> <p>The Division of Pari-Mutuel Wagering also receives a \$300,000 annual appropriation for a research grant and aid program at the University of Florida, College of Veterinary Medicine, related to the racing, care and treatment of greyhounds and racehorses at pari-mutuel facilities, plus the breeding, training, and health of racehorses, in general.</p>
Education and Recovery Funds				
008	Condominium Coop Management Education	LSCMHTF	240,000	<p>Sections 718.501(1)(j) and 719.501(1)(k), Florida Statutes, require the Division of Florida Land Sales, Condominiums and Mobile Homes to provide training programs for condominium and cooperative board members and unit owners. An appropriation in the amount of \$250,000 is provided for this purpose. The division currently complies with this mandate through a contract with a private vendor, Community Associations Institute, Inc., in the amount of \$250,000. This contract expires June 30, 2008 and provides classroom and on-line training courses. The vendor is reimbursed for each condominium/cooperative unit owner who attends classroom instruction and receives the sum of \$10,000 to maintain on-line course instruction. This reduction proposal would eliminate the classroom instruction portion of the contract while maintaining on-line instruction. This reduction would limit access to educational training, particularly to those unit owners and board members who do not have access to a computer.</p>
009	Hotels & Restaurants School to Career Grant	H&RTF	250,000	<p>The Fiscal Year 2007-08 General Appropriations Act provides an appropriation of \$250,000 to award a grant to be used for training future food service and lodging employees. Chapter 509 of the Florida Statutes states that the director may award the grant if funds are available. Elimination of the grant would impact high school students who currently receive training paid for through the grant.</p>
010	Real Estate Scholarship and Recovery Fund	PRTF	450,000	<p>The Real Estate Scholarship and Recovery Fund provides reimbursement to persons, partnerships or corporations who obtain a civil judgment for damages related to any brokerage transaction involving real property in Florida by any broker or sales associate (475.482, F.S.). The Fund also provides education to the public and licensees regarding Florida real estate. Budget reductions in this area will eliminate the capacity of the Florida Real Estate Commission to make whole consumers who have suffered monetary damages as outlined above. Reductions will also eliminate the Florida Real Estate Commission's scholarship program which will have a direct impact on students in Florida's college and university system who are undertaking undergraduate and graduate degrees in the field of real estate. The recurring appropriation is \$450,000.</p>
015	Auctioneer Recovery Fund	PRTF	100,000	<p>The Auctioneer Recovery Fund was created to protect consumers who suffer monetary loss as a result of a licensed auctioneer committing an illegal act. No claims were paid in two of the last three years. The recurring appropriation is \$100,000.</p>

016	Minority Scholarships for Certified Public Accountants	PRTF		100,000	The Certified Public Accounting (CPA) Minority Assistance Program provides scholarships to encourage students to remain in school and complete the fifth year, which is required for the CPA examination. 473.3065, F.S. The reduction will eliminate the scholarship program which will have an impact on minority students in Florida's college and university system who are undertaking the fifth year in order to qualify for the CPA examination. The recurring appropriation is \$100,000.
024	Construction Industry Recovery Fund	PRTF		\$ 3,250,000	The Florida Homeowners' Construction Recovery Fund allows claimants under a certain set of circumstances to seek restitution. Due to the complexity of the requirements for distribution of these funds, the department is recommending elimination of the program. Reduction or elimination of the appropriation would remove this avenue for those who have suffered financial loss due to the wrong doing of a licensed contractor. The recurring appropriation is \$3,250,000.
Regulatory Program Reductions					
001	Greyhound Racing Judges	PMWTF		244,500	Eliminate the judges (OPS positions) at greyhound facilities throughout the state and transfer "stop bet" responsibilities to the two remaining track judges.
011	Alcoholic Beverage and Tobacco (AB&T) Surcharge	AB&TTF	18.0	796,000	The surcharge tax on alcoholic beverages sold for consumption on licensed premises was repealed July 1, 2007 and the associated audits of the program were repealed effective July 1, 2008. The Division of Alcoholic Beverages and Tobacco has 18 positions within the surcharge program. Five of the eighteen positions are currently vacant.
013	Condominium/Cooperative Enforcement Authority	LSCMHTF	12.0	673,331	Current law grants jurisdiction to the Division of Land Sales, Condominiums and Mobile Homes (LSCMH) to investigate a violation of the condominium and cooperative acts. This jurisdiction pertains to the period when the developer oversees the association prior to selling all the units as well the period after the association has been turned over to the unit owners. Quarterly reporting data for 30 months shows that 61% of complaints received by the Division involve financial management, access to records, and elections. Therefore the remaining 39% of complaints relate to what might be described as matters related to day-to-day living; such as the quality of maintenance, non jurisdictional issues such as nuisance pets, quality of management, and allegations of harassment by board members. Amending the State statutes (ss. 718.501 and 719.501) would allow the Division to continue monitoring all current violations until the Developer turns over the association to the unit owners. At this point, the Division will only monitor those complaints that relate to finances, access to records, and elections. This amendment will allow the Division to reduce condominium/cooperative investigative staffing by 39% (11 Investigators and 1 Investigative Supervisor).
014	Condominium Mediation Services	LSCMHTF	3.0	168,780	Certain condominium disputes filed with the Division of Land Sales, Condominiums and Mobile Homes for arbitration are referred to in-house mediators and the mediation is provided without charge to the parties. Because Chapter 718, Florida Statutes, does not require the division to provide mediation services, the division could refer these disputes to private mediators. Eliminating this service will save expenditures related to the costs associated with 3 FTE (2 mediators and an administrative support position).

019	Restaurant & Lodging Fire Safety Inspections	H&RTF	3.0	250,000	The Division of Hotels and Restaurants enforces the Florida Fire Prevention Code as it relates to public food service and lodging establishments. Fire safety inspections are performed as part of the statutorily required facility inspections. Eliminating fire safety inspections would increase the time available to conduct sanitation and safety inspections more directly related to the division's expertise. These inspections could still be conducted by local fire authorities, so there would be minimal impact on division clients. This would require removing reference to the State Fire Marshal and the Florida Fire Prevention Code in Chapter 509, Florida Statutes (F.S.), specifically sections 509.032, 509.211, 509.215, F.S. The time saved by not attending the required training and not performing these inspections is equivalent to 3 full time inspectors.
029	Professional Regulation Unlicensed Activity	PRTF		1,280,050	Unlicensed Activity is funded as a special category in the Professional Regulation Program and is allocated to the Divisions of Professions, Regulation, Real Estate, Certified Public Accountants and the Florida Engineering Management Corporation. Funds are used to hire temporary employees for investigating complaints and seek out unlicensed activity through sweeps and sting operations. The Department also mans a toll-free hotline for consumers to report suspected unlicensed activity, and educates the public of the danger in hiring unlicensed people through public service announcements, brochures, trade shows, conferences and public appearances. Budget reductions in this area will reduce the Department's generation and investigation of complaints of unlicensed activity. Investigation of consumer complaints of unlicensed activity will be shifted to other investigators of the criminal judicial system. The recurring appropriation is \$1,280,050.
Staffing Reductions					
023	Vacant Positions Over 180 Days		9.0	419,678	As of August 6, 2007 the Department has 9 positions vacant over 180 days. Three of the positions were appropriated to the Division of Pari-Mutuel Wagering for the regulation of slot machine gaming. The positions requested were based on the opening of 4 facilities in Broward County. One of those facilities has delayed opening, and it is not anticipated to open in the current fiscal year. The positions are not needed until the slot facility is near the opening date. The positions could be eliminated, though they would be required later, or they could be placed in Budget reserve which would prevent the expenditure of funds without Legislative approval.
027	Alcoholic Beverage & Tobacco Key West Office	AB&TTF	3.0	213,568	The Division of Alcoholic Beverages and Tobacco maintains an office in Key West to service 1,086 licensees located in the Keys. Due to the cost of living in Monroe County, rent for the Key West office is disproportionately expensive and it is difficult to fill positions. Although the office is allocated five FTEs, it usually operates with a staff of two to three. With the difficulty in keeping this office fully staffed, the closure will not have a significant impact on services. Licensees located in Monroe County will have to travel to Miami to visit a field office for licensing issues and investigative staff will travel from Miami to Key West increasing travel time and costs. Adding 1,086 licenses to the Miami licensing staff may increase the amount of time it takes to schedule an appointment or get special event permits issued for both Monroe county licensees and those already served by the Miami office.

028	Law Enforcement Staff Reduction	AB&TTF	5.0	388,103	<p>The Division of Alcoholic Beverages and Tobacco will eliminate five sworn law enforcement positions. The Division has 176 sworn law enforcement positions and a vacancy rate of 9%. The law enforcement positions are required to regulate the statutory requirements associated with alcoholic beverages and tobacco laws. They perform inspections on new licensed establishments to ensure they meet statutory requirements, perform surveys at retail establishments selling alcohol and tobacco products, participate in undercover operations and assist other law enforcement agencies. Reduction of the positions will result in fewer agents to perform surveys and investigate instances of sale of either alcohol or tobacco to underage persons.</p> <p>The office of the Condominium Ombudsman acts as a neutral resource to assist condominium unit owners, boards, board members, community association managers and other affected parties regarding their rights and responsibilities under the Condominium Act. A Financial Analyst position was requested and appropriated for Fiscal Year 2007-2008 to handle condominium budget and financial questions, as well as to educate boards and unit owners regarding the financial aspects of condominium living. The elimination of this position will limit the office's ability to expand its educational outreach regarding financial issues.</p>
030	Condominium Ombudsman staff position		1.0	63,141	<p>The Division of Florida Land Sales, Condominiums and Mobile Homes requested and was appropriated two additional positions in the FY 2007-08 General Appropriations Act to replace OPS expenditures and FTE positions borrowed to implement the Homeowners arbitration/mediation program under Chapter 720, Florida Statutes. The positions were requested to meet increased workload demands in the Division's compliance program, provide timely and effective regulation and meet statutory requirements. Elimination of the positions would inhibit the Division's ability to meet those increased workload demands.</p>
031	Homeowners Association Mediation positions	PRTF	2.0	93,356	<p>Senate Bill 752 became law on July 1, 2007, and allows cardroom facilities to operate 365 days a year rather than only on days that a live pari-mutuel event is conducted. The additional 5 F.T.E positions are needed to handle the increase in workload. The initial estimate was for a 44% increase in cardroom operating days, when in actuality, the Division has seen a 69% increase in cardroom operating days since the effective date of SB 752.</p>
032	Cardroom positions from Senate Bill 752	PMWTF	5.0	300,075	<p>The Division of Hotels and Restaurants requested and was appropriated 6 additional positions for the Elevator Safety program to meet demands of constant growth in the number of elevator and vertical conveyance devices requiring licensure and inspection. Where the actual mandatory inspection function is privatized the Division staff maintains records to monitor compliance, performs compliance inspections and responds to complaints and accidents. The Division has been criticized by an Auditor General's report for the low number of compliance/monitoring inspections performed. Elimination of the positions provided by the 2007 Legislature will return the program to the 2006 staffing level and will not allow for the mandated performance measures to be achieved. Owners and complainants would be impacted by a reduced ability to respond to complaints, requests, license applications, and license renewals.</p>
033	Elevator Compliance positions	H&RTF	6.0	476,573	

034	Professional Regulation positions	PRTF	2.0	108,988	The Division of Regulation investigates complaints and performs inspections associated with the various professions regulated by the Department. Positions were requested and appropriated in the FY 2007-08 General Appropriations Act to address the increasing workload. This reduction eliminates new positions added in the 2007 Legislative Session, returning the division staffing to 2006 levels. Budget reductions in this area will impact the division's ability to reduce investigative case backlog and the time it takes to investigate and complete a cases against licensees of the department and those suspected of unlicensed activity.
035	Real Estate Regulation positions	PRTF	4.0	215,778	The cooling of Florida's real estate market has resulted in an upswing in real estate complaints. The Division of Real Estate requested and was appropriated additional position in the FY 2007-08 General Appropriations Act to handle the increasing workload. This reduction eliminates new positions added in the 2007 Legislative Session, returning the division staffing to the 2006 level. Budget reductions in this area will create complaint and legal case backlogs potentially affecting consumer safety and protection and cause the complaint and legal prosecution process for real estate appraisals to remain out of compliance with Federal requirements which could result in decertification, making Florida's licensees ineligible to appraise federally related transactions.
036	Hotel & Restaurant Inspection positions	H&RTF	10.0	602,486	The Division of Hotels and Restaurants was appropriated 20 additional positions in the FY 2007-08 GAA for the food and lodging inspection program. For years the Division has not met the statutory requirements of inspecting food and certain lodging establishments 2 times per year. Because these positions are critical to meeting statutory requirements and have an impact on public safety, the Division has pursued recruitment and hiring of staff. Should there be a critical revenue shortfall the Division would eliminate 10 of the new positions. Because the Division would not be able to meet statutory inspection requirements outlined in section 508.032, F.S. with those reduced staffing levels, the statute could be amended to require only one inspection per year plus the call back inspections necessary when a violation has been found.
TOTAL				83.0	13,400,888

Trust Fund Listing:

- PMWTF - Pari-Mutual Wagering Trust Fund
- ATF - Administrative Trust Fund
- AB&TTF - Alcoholic Beverages & Tobacco Trust Fund
- H&RTF - Hotels & Restaurants Trust Fund
- PRTF - Professional Regulation Trust Fund
- LSCMHTF - Land Sales, Condominiums & Mobile Homes Trust Fund

Schedule VIII B-1 Presentation

Jim Cassady – Chief of Staff

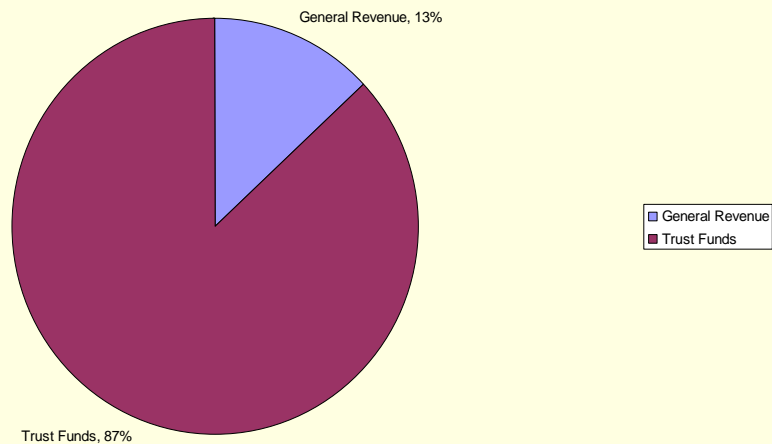
August 28, 2007

Alex Sink
Chief Financial Officer of Florida



1

Agency Budget



2

Approach

- Minimal impact on citizens while ensuring we can fulfill constitutional and statutory responsibilities
- Review of Organization and Management Structure

Reduction Overview

- Reduces \$2.1 million in General Revenue Fund Appropriations
- Reduces \$12 million in Trust Fund Appropriations
- Reduces a total of 79.50 Positions

Future Initiatives

The agency is looking at future initiatives to identify cost savings to include but not limited to:

- Replacing staff augmentation contracts with FTE
- Examining current operations and re-engineering business processes
- Consolidate and/or eliminate field offices
- Consolidate Tallahassee office space
- Consolidate Call Center Units

Reduction Proposals

- Minimal Service Impact
- Medium Service Impact
- High Service Impact

Minimal Impact Reductions

- Project Aspire Contracted Services (001)
 - \$ 2,000,000 Trust Fund
- Treasury Check Cashing Service (002)
 - 3 Filled FTE and \$109,572 Trust Fund
- Funeral and Cemetery Services (003)
 - 1 FTE and \$283,668 from Lump Sum Reserve Trust Fund
- Contracted Services – Consumer Advocate (004)
 - \$100,000 from Contracted Services category Trust Fund
- Project Aspire FTE (005)
 - 4 Filled FTE and \$284,550 Trust Fund

7

Minimal Impact Reductions

- Information Technology Management Restructure (006)
 - 1 Vacant and 1 Filled FTE and \$124,012 General Revenue and Trust Fund
 - \$70,864 of this reduction in General Revenue
- Insurance Fraud Management Restructure (007)
 - 2 Filled FTE and \$218,193 -Trust Fund
- Transfer to Workers' Compensation Research Institute (008)
 - \$195,000 Trust Fund
- Transfer to University of South Florida (009)
 - \$214,994 Trust Fund

8

Minimal Impact Reductions

- Occupational Safety and Health Statistics Unit (010)
 - 5 Filled FTE and \$271,971 Trust Fund
- Fund Shift of General Revenue Appropriations to Trust Fund (011)
 - Shifts remaining General Revenue funding in Executive Direction to Insurance Regulatory Trust Fund (\$427,590 for 2007-08)
 - Shifts remaining General Revenue funding in Consumer Assistance to Regulatory Trust Fund (\$104,112)
- Civil Remedy (012)
 - 3 Filled FTE and \$56,250 Trust Fund

9

Medium Impact Reductions

- Division of Administration Reduction (013)
 - 7 Filled and 1 Vacant FTE and \$360,908 Trust Fund
- Unclaimed Property OPS and Expenses (014)
 - \$200,000 Trust Fund
- Information Technology (015-020)
 - \$2,930,107 Total Reduction
 - \$1,063,504 General Revenue and \$1,866,603 Trust Fund
 - Reduces Staff Augmentation, Software and Hardware Maintenance, Salaries and Benefits and On-Call/Overtime.

10

Medium Impact Reductions

- Legal Services (021)
 - 5.50 Vacant FTE and \$740,538
 - \$145,815 General Revenue and \$594,723 Trust Fund
- Workers' Compensation Special Disability Program (022)
 - 5 Vacant FTE and \$236,831 Trust Fund
- Workers' Compensation Staff Augmentation Contracts (023)
 - \$339,250 Trust Fund
- Worker's Compensation Reduction in Operating Appropriation (024)
 - \$974,659 Trust Fund

11

Medium Impact Reductions

- Florida Clerks of Courts Operations (025)
 - \$140,000 Trust Fund
- Rehabilitation and Liquidation (026)
 - 1 Vacant FTE and \$124,200 Trust Fund
- Risk Management (027)
 - 3 Filled FTE and \$289,900 Trust Fund
- Treasury Program (028)
 - \$190,000 Trust Fund (in addition to Treasury Check Cashing Service)

12

High Impact Reductions

- State Financial Information and State Agency Accounting (029)
 - 6 Vacant FTE and \$285,000 General Revenue
- Office of the Chief of Staff (030)
 - 2 Filled and 1 Vacant FTE and \$172,371 Trust Fund
- Consumer Assistance (031 and 032)
 - 1 Filled and 10 Vacant FTE and \$907,977 Trust Fund
- Agent and Agency Services (033 and 034)
 - 10 Vacant FTE and \$697,958 Trust Fund

13

High Impact Reductions

- Fire Marshal Program (035, 036, and 038)
 - 4 Filled FTE and \$848,016 Trust Fund
- Insurance Fraud (037 and 039)
 - 3 Vacant FTE and \$936,765 Trust Fund

14

Summary

TOTALS

- Minimal Service Impact Reduction Issues
 - 20 FTE and \$3.8 million
 - (does not include fund shift from GR)
- Medium Service Impact Reduction Issues
 - 22.5 FTE and \$6.5 million
- High Service Impact Reduction Issues
 - 37 FTE and \$3.8 million

Alex Sink
Chief Financial Officer of Florida



Florida Public Service Commission FY 2008-09 Legislative Budget Request

Schedule VIII B-1

House Jobs & Entrepreneurship Council

August 28, 2007

Charles Hill, Deputy Executive Director
Presenter



Public Service Commission Regulatory Responsibilities



- Rate base regulation of investor – owned electric, gas and water and wastewater companies.
- Competitive market oversight of telecommunications industry:
 - Incumbent/competitive local exchange telephone companies
 - Long distance telephone companies
 - Pay telephone service providers
 - Shared tenant service providers
 - Alternative access vendors
- Limited regulatory jurisdiction over public owned, municipal or cooperative utilities: rate structure, territorial boundaries, bulk power supply operations and planning.
- Safety authority over all electric and natural gas systems operating in the state.

Public Service Commission Responsibilities

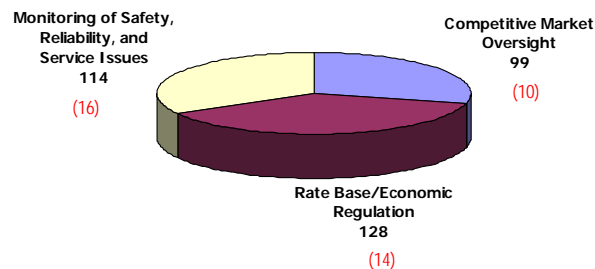


- Three (3) broad groupings of regulatory activities:
 - **Competitive market oversight** involves facilitating the development of competitive markets, where directed by statute, and addressing issues associated with those markets.
 - **Rate base/economic regulation** involves analyzing requested rate changes and conducting earnings surveillance to ensure that regulated utilities are not exceeding their authorized rates of return.
 - **Consumer protection, safety, and service** involves answering, investigating and responding to consumer contacts; distribution of materials to educate and inform consumers regarding utility matters; independent field testing of telecommunications companies' service; and safety inspections of gas systems and electric construction confirming that services are provided in a safe, reasonable, and timely manner.

3

FTEs by Broad Activity Grouping

(Total FTEs - 341)



The Schedule VIII B-1 proposes a total reduction of 40 FTEs; the relative reductions are presented within the parentheses ().

4

Public Service Commission Funding



- 100% Trust Funded
- Fees Paid by Commission Regulated Utilities
- \$28 Million Operating Budget
- 341 FTEs

5

Approach to Schedule VIII B-1 Preparation



Examined program activities that could be reduced and eliminated to meet the required reductions in a manner that:

- Minimizes adverse impacts on consumers
- Minimizes adverse impacts on competitive markets

6

Administrative Reductions

Includes the expense and other personal services categories, and managerial and/or administrative staff support.



Title	Priority Number	Amount	FTE Reduction
Reduce Other Personal Services Category Budget	1	\$200,000	
Reduce Expense Category Budget	2	\$165,798	
Reduce the Number of Managerial and/or Administrative Support Staff	11	\$122,196	2
Category Totals		\$487,994	2

7

Competitive Market Oversight

Reduce or eliminate Commission oversight of company operations and involvement resolving inter-company agreements and disputes. Also reduce the detail of our review of company tariff filings. Competitors may be disadvantaged and ultimately leave the market making the industry less competitive. Consumers may pay higher prices as a result of less competition or as a result of less detailed review of tariff filings.



Title	Priority Number	Amount	FTE Reduction
Eliminate Operations Audits of Internal Processes and Procedures of Telecommunications Companies	3	\$122,196	2
Reduce Detailed Staff Review of Telecommunications Company Tariff Filings and Negotiated Settlements	4	\$122,196	2
Address Fewer Informal Complaints between Competitive Telecommunications Companies	5	\$ 61,098	1
Arbitrate Fewer Inter-Company Agreements between Competitive Telecommunications Carriers	8	\$ 61,098	1
Stop Addressing Informal Complaints between Telecommunications Companies	14	\$ 61,098	1
Reduce Efforts to Facilitate Cooperation and Agreement among Local Telecommunications Providers	16	\$ 61,098	1
Decline to Process Arbitration Requests that Could Be Arbitrated by the Federal Communications Commission	17	\$ 61,098	1
Category Totals		\$549,882	9

8

Rate Base/Economic Regulation

Reduce or eliminate the number and detail of various reviews and calculations, eliminate specific studies, and reduce the frequency of cost recovery proceedings. Consumers may pay higher rates as a result of overearnings not being detected or face discriminatory rates as a result of eliminating reviews. Presumptively valid certificate transfers may result in loss of service or poor service if new owners are not financially viable or lack technical expertise.



Title	Priority Number	Amount	FTE Reduction
Review Fewer Annual Financial Reports Filed by Water and Wastewater Companies	6	\$ 61,098	1
Automate Calculation of Rates for Water and Wastewater Rate Cases	7	\$ 61,098	1
Eliminate Specific Dismantlement Studies of Fossil Fuel Electric Power Plants	12	\$ 61,098	1
Eliminate Review of Tariff Filings by Municipal and Cooperative Electric Companies	15	\$ 61,098	1
Assume Water/Wastewater Certificate Transfers and Amendments Are Valid and Require No Evaluation of Impacts	18	\$122,196	2
Eliminate Electric Conservation Goals	20	\$122,196	2
Eliminate Considerations of Quality of Water or Wastewater Product During Rate Proceedings	23	\$122,196	2
Conduct Electric Cost Recovery Proceedings Biennially Instead of Annually	24	\$183,294	3
Category Totals		\$794,274	13

9

Consumer Protection, Safety and Assistance

Reduce service evaluations, safety inspections, and consumer outreach; eliminate the Commission consumer call center by transferring those responsibilities to the Department of Agriculture and Consumer Services. Consumers may experience poorer service quality and may be harmed by the reduction in service evaluations and safety inspections. Consumers will be less informed on utility matters and contacts regarding utility service may not result in acceptable resolution as a result of the reduction in consumer outreach and the transfer of the call center.



Title	Priority Number	Amount	FTE Reduction
Reduce the Number of Field Evaluations of Pay Telephones	9	\$122,196	2
Reduce the Number of Staff attending Customer Meetings and Outreach Events	10	\$ 61,098	1
Refer Allegations of Fraud for All Utility Industries to the Office of the Attorney General	13	\$ 61,098	1
Reduce the Number of Evaluations of Telecommunications Company Service Quality	19	\$122,196	2
Transfer Responsibility for Consumer Call Center to the Department of Agriculture and Consumer Services	21	\$366,588	6
Reduce the Number of Safety Inspections of Gas and Electric Facilities	22	\$244,392	4
Category Totals		\$977,568	16

10

Summary of Schedule VIII B-1 by Broad Activity Grouping



Category	# of Issues	Amount	FTE Reduction
Administrative Reductions	3	\$487,994	2
Competitive Market Oversight	7	\$549,882	9
Rate Base / Economic Regulation	8	\$794,274	13
Consumer Protection, Safety and Assistance	6	\$977,568	16
Totals		\$2,809,718	40

11

Questions



12



House Jobs & Entrepreneurship Council

Don Saxon

Commissioner

August 28, 2007



MISSION

The Office of Financial Regulation (Office) is dedicated to safeguarding the private financial interests of the public by licensing, chartering, examining and regulating financial institutions and financial service companies in the State of Florida.

The Office strives to protect consumers from financial fraud while preserving the integrity of Florida's markets and financial service industries.

Recurring Budget

	<u>FTEs</u>	<u>General Revenue</u>	<u>Trust Funds</u>	<u>Total Funds</u>
Safety & Soundness	118		\$ 10,322,474	\$ 10,322,474
Financial Investigations	64	\$ 1,903,739	\$ 2,349,006	\$ 4,252,745
Executive Direction (includes Office of Legal Services)	49	\$ 935,221	\$ 2,982,833	\$ 3,918,054
Finance Regulation	112		\$ 11,805,363	\$ 11,805,363
Securities Regulation	89	\$ 5,838,089	\$ 283,966	\$ 6,122,055
Total	432	\$ 8,677,049	\$ 27,743,642	\$ 36,420,691
Reduction Targets		\$ 867,705	\$ 2,774,364	\$ 3,642,069

Principles guiding reductions:

1. Focus consequences on areas which would have the least impact on consumer protection and the industries regulated by the Office
2. Reduce funding from General Revenue to the extent possible
3. Reduce mission critical staff only as a last resort

Concerns

1. Current uncertainty related to condition of financial markets
2. Potential negative impact on consumers if economic conditions decline
3. Need for regulatory resources increases rather than decreases in times of economic uncertainty
4. Loss of staff would seriously impact regulatory programs – would suggest placing positions in reserve rather than eliminating

Proposal #1 - Shift Executive Direction Funding from GR to Regulatory Trust Fund

- Fund Executive Direction related to Securities Regulation from Regulatory Trust Fund rather than General Revenue (GR)
- As a result of Legislative changes in the 2007 Session, a revenue stream related to Securities Regulation exists in the trust fund, rather than solely in GR

Impact

- This would protect the Securities Regulation program from more extensive cuts while meeting OFR's reduction goal for GR
- The alternative would be to eliminate 15 positions (17%) in Securities Regulation at a time when additional resources are needed

Shift \$935,221 from General Revenue to Regulatory Trust Fund

Proposal #2 - Reduce Contracted Services by Eliminating the Outsourcing of Mortgage Broker Test

- Continue to administer mortgage broker licensing test using internal staff rather than outsourcing

Impact

- OFR can maintain current level of service to applicants if we maintain the current process
- By continuing to administer internally, there will be no additional cost to OFR or the applicant

Reduce Regulatory Trust Fund by \$1,351,030

Proposal #3 - Reduce Financial Institutions Other Personal Service (OPS) Funds

- Maintain current level of OPS examiners used to conduct financial institutions examinations

Impact

- This would restrict expansion of OPS examiner program
- Use of retired examiners on an OPS-basis is necessary to meet required examination cycles due to the significant increase in number of institutions requiring more frequent examinations due to age, size, and condition

**Reduce Financial Institutions Regulatory Trust Fund by
\$250,000**

Proposal #4 - Reduce Finance OPS Funding

- Reduce OPS funds appropriated to operate the Pay Day Loan database

Impact

- Based on current and expected volume of Deferred Presentment Transactions (DPTs), OFR can reduce OPS funds used to cover payment to vendor without a reduction in service
- Chapter 560, Florida Statutes, requires OFR to operate a database to track Deferred Presentment Transactions (DPTs), also called “pay day loans”

Reduce Regulatory Trust Fund by \$200,000

Proposal #5 - Reduce Executive Staff

- Reduce 2 staff in Executive Direction – 1 attorney and 1 in Commissioner’s Office

Impact

- Reducing an attorney may result in legal cases taking longer to resolve
- Reducing staff in the Commissioner’s Office would have the least impact on OFR’s mission to regulate financial industries and protect consumers

Reserve (or eliminate) a Senior Management Analyst II (in the Commissioner’s Office) and a Senior Attorney – results in \$135,000 reduction in Salary in Administrative Trust Fund

Proposal #6 - Reduce Finance Examination Staff

- Reduce proactive (routine) examinations in certain areas where least problems occur

Impact

- Reducing exam staff will result in reduction in the number of examinations conducted and the number of cases brought for administrative action
- Reducing exam staff could result in delays in assisting consumers who seek assistance from OFR related to loan servicing issues or other complaints against the industry

Reserve (or eliminate) 3 examiners for estimated savings of \$165,000 in Regulatory Trust Fund

Proposal #7 - Reduce Securities Examination Staff

- Reassign duties related to review of Certified Capital Companies (CAPCOs) annual statements to another position
- Reduce number of compliance examination staff (those who conduct exams based strictly on a risk profile)

Impact

- A reduction in examination staff would result in a reduction in the number of compliance examinations
- Compliance examinations are proactive and frequently identify more serious issues, which could go undetected
- Reducing staff would negatively impact responsiveness to consumer complaints

Reserve (or eliminate) 3 examiners for expected savings of \$165,000 in General Revenue

Proposal #8 - Reduce Financial Investigations Staff

- Focus investigative efforts on cases involving potential criminal activity and only most egregious administrative cases

Impact

- Smaller cases in terms of number of victims and/or dollar amounts lost may remain unresolved
- Reducing staff would reduce the amount of restitution to consumers injured as a result of fraudulent activity

Reserve (or eliminate) 5 investigators for expected savings of \$275,000 (half from General Revenue and half from Trust Fund)

Proposal #9 - Reduce Securities Licensing Staff

- Eliminate review of updated disciplinary information from other states regarding current licensees

Impact

- Reduced review may allow persons to remain registered who have violated laws in other states
- Reducing staff may result in increased risk to consumers by allowing registration of questionable entities or persons
- Reducing staff may result in increased time to process or approve applications

Reserve (or eliminate) 1 licensing analyst for expected savings of \$50,000 in General Revenue

Proposal #10 - Reduce Finance Licensing Staff

- Increase average number of days to process applications while remaining within the Administrative Procedures Act (APA) guidelines

Impact

- Reducing staff may result in increased risk to consumers by allowing registration of questionable entities or persons
- The increased review time would delay applicants' entry into business and beginning to produce income

Reserve (or eliminate) 2 licensing analysts for expected savings of \$100,000 in Regulatory Trust Fund

Reductions as a % of OFR's Budget

	<u>General Revenue</u>	<u>Trust Funds</u>	<u>Cumulative % of Budget</u>
1 Shift Executive Direction Funding from General Revenue Expenditures to Regulatory Trust Fund	\$ (935,221)		2.6%
2 Reduce Contracted Services by Eliminating the Outsourcing of the Mortgage Broker Test		\$ (1,351,030)	6.3%
3 Reduce Financial Institutions OPS Funds		\$ (250,000)	7.0%
4 Reduce Finance OPS Funding Regulatory TF		\$ (200,000)	7.5%

Reductions as a % of OFR's Budget

	<u>General Revenue</u>	<u>Trust Funds</u>	<u>Cumulative % of Budget</u>
5 Reduce Executive Direction Staff		\$ (135,000)	7.9%
6 Reduce Finance Examination Staff		\$ (165,000)	8.3%
7 Reduce Securities Examination Staff	\$ (165,000)		8.8%
8 Reduce Financial Investigations Staff	\$ (137,500)	\$ (137,500)	9.5%
9 Reduce Securities Licensing staff	\$ (50,000)		9.7%
10 Reduce Finance Licensing staff		\$ (100,000)	10.0%

This would also represent a total of 16 positions placed in reserve or eliminated.

QUESTIONS?



FAIR. FAST. PROFESSIONAL.

Financial Services Commission
Office of Insurance Regulation

Presentation of Agency Schedule VIII B Reduction Issues
August 2007



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Past Budget vs. Current Budget

	FY 2005-2006	FY 2006-2007	FY 2007-2008
FTE	305	311	315
OIR Budget	\$24,021,122	\$24,150,645	\$26,939,144

Total Number of Insurance Related Entities

As of June 30, 2005	3,466
As of June 30, 2006	3,695
As of June 30, 2007	3,900



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Public Hurricane Model – Maintenance and Support (\$623,512 recurring)

- ❖ Residential property insurers and licensed rating and advisory organizations are required to compile property insurance loss data, and to provide associated exposure data to the Office of Insurance Regulation (Office) or Florida International University (FIU).
- ❖ FIU is under contract with the Office to continue to develop, maintain and support the Model and to provide model related services
- ❖ The Florida Legislature provides the Office with \$623,512 in recurring funds in order to support and maintain the Model and meet the requirement of complying with the standards of the Commission.
- ❖ The Office can meet this statutory requirement if legislation is passed requiring residential property insurers and licensed rating and advisory organizations to pay the costs of running their rate filings through the Model instead of the State of Florida bearing this cost.



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Title Insurance Rates – Data Collection and Analysis (\$100,000 recurring)

- ❖ The Office is required to review and adjust (if needed) title insurance rates not less frequently than once every three years. In order to meet statutory requirement, it is necessary to collect statistical data and conduct an actuarial analysis performed on the data.
- ❖ The goal is to provide an adequate and fair rate structure for the premium and services performed in real estate closing transactions and issuance of title insurance.
- ❖ The Florida Legislature has provided \$150,000 to the Office to gather title insurance data in accordance with Section 624.501(27)(e)(2) and 627.782, Florida Statutes.
- ❖ The Office believes it can meet this statutory requirement with \$50,000 in recurring revenues as the data collection element is being conducted with in-house resources.



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Public Rate Hearing Announcements (\$100,000 recurring)

- ❖ The Office is required to conduct a public rate hearing on any residential rate filing that is based in whole or in part on data from a computer model, when the rate filing is in excess of 15 percent.
- ❖ The Florida Legislature provided the Office with \$150,000 in recurring funds for the 2007-2008 Fiscal Year in order to meet this requirement.
- ❖ The Office believes it can meet this statutory requirement with \$50,000 in recurring revenues because the Office has partnered with the Florida Channel to broadcast the hearings statewide so that interested stakeholders and policyholders can view the hearings even if they are not in the immediate vicinity.
- ❖ Further, streaming videos of the hearings are available 24 hours a day on the Office's website at <http://www.flor.com/pcf/ratehearingsIndex.htm>.



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Base OPS (\$50,000 recurring)

- ❖ The Office has responsibility for enforcing the provisions of Chapters 20, 112, 120, 440, 624, 625, 626, 627, 628, 629, 630, 630, 631, 632, 634, 635, 636, and 641, 642, 648, 651 and 817, F.S., and applicable rules, as they relate to the review of policy contracts and associated rates. The Office is responsible for:
 - Rate and form filings to ensure compliance
 - Monitoring the financial condition of all regulated entities through analysis and exams
 - An admissions process for new entities as well as those proposing to expand their business
 - Conducting market investigations and analyzing market trends for consumers
- ❖ In addition to paying the salaries of OPS employees, the Office allocates OPS funds for the fulfillment of our essential functions outlined above.
- ❖ Based on 2006-2007 experience, the Office believes that we can continue to meet all statutory requirements with \$782,750 in OPS funds.



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Property and Casualty Financial Oversight Financial Examinations (\$454,200 recurring)

- ❖ The Office is required to conduct financial examinations of property and casualty insurers in order to protect consumers and provide early detection of weakening financial conditions.
- ❖ Prior to the 2007 Legislative Session, the Office was required to obtain consent from the insurance company in order to contract with outside experts to conduct an examination and have the company cover the costs of that outside expert. Otherwise, the Office was required to use state resources.
- ❖ House Bill 1549 (Chapter Law # 2007-224) permits the Office to engage outside experts to conduct the financial examinations and allows the Office to select the financial examination experts and bill the insurer for the cost of the examination.
- ❖ The Office believes due to the engagement of outside experts to conduct the financial exams, there will be a significant reduction in travel expenses for our examiner positions.



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Life and Health Financial Oversight Financial Examinations (\$75,840 recurring)

- ❖ The Office is required to conduct financial examinations of life and health insurers in order to protect consumers and provide early detection of weakening financial conditions.
- ❖ Prior to the 2007 Legislative Session, the Office was required to obtain consent from the insurance company in order to contract with outside experts to conduct an examination and have the company cover the costs of that outside expert. Otherwise, the Office was required to use state resources.
- ❖ House Bill 1549 (Chapter Law # 2007-224) permits the Office to engage outside experts to conduct the financial examinations and allows the Office to select the financial examination experts and bill the insurer for the cost of the examination.
- ❖ The Office believes due to the engagement of outside experts to conduct the financial exams, there will be a significant reduction in travel expenses for our examiner positions.



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Vacant Positions (\$540,721 recurring)

- ❖ During the 2006-2007 Fiscal Year, the Office:
 - processed 527 company applications in an average of 77 days.
 - met or exceeded all standards for reviewing forms and rates filed by insurers within 90 days. In total, the Office reviewed 18,925 form and rate filings.
 - conducted 100% of the Priority 1-4 financial reviews within the national standard timeframes. A total of 10,493 financial reviews.
- ❖ Due to the past three years of property legislation, the Office has seen a unprecedented number of filings. However, the Office expects to continue to meet the aforementioned performance standards at our current staffing level of 315 FTE's. Over the course of a Fiscal Year, the Office's vacant positions fluctuate; however, we strive to fill all positions within 90 days. Currently, there are 26 vacant positions within the Office and we have identified 11 of the 315 positions that were frozen effective July 27, 2007 until further budget reduction determinations are made by the Legislature and Governor.



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Specialty Examinations (\$412,328 recurring)

- ❖ Specialty Product Administration is charged with the regulation of various insurance related entities: Auto, Home and Service Warranties, Premium Finance Companies, Legal Expense Insurance, Third Party Administrators, Continuing Care Retirement Communities, Donor Annuities and Viatical Settlements.
- ❖ The primary responsibility of Specialty Product Administration is to license entities, examine them for compliance with applicable laws and rules and monitor their financial condition for the protection of the public from insolvency risks and unethical business practices.
- ❖ Specialty Product Administration reviews the financial statement filings of licensed companies and conducts on-site financial and market conduct examinations. The Office has a section of five full time equivalent (FTE) positions for this process.
- ❖ The Office believes it can meet the statutory requirement of protecting the public from insolvency risks and unethical business practices if the Florida Statutes were amended to allow financial and market conduct examinations on an as needed basis, and that the examination costs be borne by the insurance related entities and not the State of Florida.



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Floating Vacancies (\$104,148 recurring)

- ❖ Over the course of a Fiscal Year, the Office experiences a vacancy ratio of approximately 5-10%. A portion of the turnover is due to employees retiring, participation in the Deferred Retirement Option Program, subsequent retirement, transfer to another state agency or private sector employment opportunities.
- ❖ The Office will review the employees planning to retire and strategically identify two (2) non-mission critical positions to eliminate during the course of the Fiscal Year.



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Questions

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