**GOVERNMENT OF THE DISTRICT OF COLUMBIA**

**Department of Insurance, Securities and Banking**



**Fiscal Year 2022 Budget Oversight Hearing**

Testimony of

**Karima M. Woods**

Commissioner

Department of Insurance, Securities and Banking

Before the

Committee on Business and Economic Development

Councilmember Kenyan McDuffie, Chairperson

Council of the District of Columbia

Monday, June 14, 2021

9:00 am

Via Virtual Meeting Platform

Good morning, Chairperson McDuffie, committee members, and staff of the Committee on Business and Economic Development. I am Karima Woods, Commissioner of the Department of Insurance, Securities and Banking (“DISB”). I am pleased to appear before the Committee today to provide testimony on DISB’s FY 2022 budget and to share some of the successes that DISB accomplished in FY2021, despite the pandemic. The unprecedented challenges we faced over the past 15 months have produced an even more agile and responsive Department focused on building a better, stronger economic future for all DC residents.

As you know, DISB regulates insurance, securities, banking, and other financial services in the District of Columbia. Our mission is three-fold: (1) cultivate a regulatory environment that protects consumers and attracts and retains financial services firms to the District; (2) empower and educate residents on financial matters; and (3) provide financing to District small businesses. We accomplish this by working to ensure District residents have access to a wide choice of financial services and are treated fairly by service providers. We also work to sustain a District business climate that encourages fair and open competition.

Two weeks ago, Mayor Bowser presented “Fair Shot,” the Fiscal Year 2022 (FY 2022) Budget and Financial Plan, the District’s 26th consecutive balanced budget. This budget was produced as the District continues to manage its response to the COVID-19 pandemic and yet still serves to demonstrate the Mayor’s commitment to making the District of Columbia a place where people of all backgrounds and in all stages of life can live and thrive. The Mayor’s budget makes key investments in education, infrastructure, affordable housing, seniors, public safety, health and human services and economic development. These investments reflect the key priorities identified by District residents at Budget Engagement Forums and telephone town halls held during the budget formulation process, as well as adjustments that have been necessitated by the District’s response to the pandemic.

The Mayor’s FY 2022 budget for DISB provides the necessary resources to fulfill our mission of protecting consumers, helping to create pathways to the middle class and supporting small business and economic development growth in the District. The FY 2022 Budget for DISB is $36,908,159.00, a 13.4 percent increase from our approved FY 2021 budget. The FY 2022 budget supports 139 full-time positions while we have an additional five temporary, federally funded, full-time positions in FY 2022. Our budget consists of $32,330,386.00 in special purpose revenue “O type” funds, $4,444,774.00 Federal Stimulus Fund or Local Funds and $133,000.00 in intra-District funds. Specifically, the Mayor’s FY 2022 budget supports a net increase of $4,350,857.00 in year over year funding because of Federal Stimulus funds allocated to expand DISB’s Opportunity Accounts and create a Returning Citizens programming.

While the specter of COVID-19 continued to loom large over DISB’s operations over the past year, it did not diminish DISB’s capacity to provide strong regulatory oversight, essential consumer protection and educational services, and vital support to District small businesses. For example, DISB is currently preparing for the annual rate review process for plans to be offered in 2022 on DC Health Link with providers submitting 2022 rates in May and throughout the summer. This review process ensures that rates are priced fairly considering the benefits provided, are reasonable to adequately cover the costs of medical services and operating expenses and are not unfairly discriminatory. DISB will also hold a virtual hearing on the 2022 health insurance proposed rates, which will provide the public with an opportunity to provide comments and input related to how DISB should consider the filings. Continuing the practice of allowing for public comment on the proposed rates provides an important connection point for DISB, which ensures that residents understand that they play an important part in the rate review process. Ensuring an affordable health insurance landscape in the District remains a District value and DISB’s primary concern.

Moreover, the urgency of responding to COVID-19 did not prevent DISB from continuing to move forward on important issues and initiatives. Specifically, in addition to the creation of an internal Diversity, Equity and Inclusion Committee within DISB represented by working groups in each of the industries of securities, insurance and banking, DISB has continued to expand the breadth of its existing programming as well as creating new programming to address the wealth gap of DC residents. These programs include: Bank on DC, DC BizCap, a Financial Empowerment Center, Financially Fit DC, Financial Navigators, and the Opportunity Accounts program.

In FY 2020, DISB established a Working Group on Diversity, Equity, and Inclusion to conduct analysis and report back to DISB staff and key internal/external stakeholders quarterly throughout FY 2021. The Working Group has focused its efforts on proposing recommendations on actions the Commissioner should implement internally and externally to ensure that DISB operates from a lens of diversity, equity, and inclusion, and fosters the same principles in the District’s financial services market. Our Working Group has produced several recommendations this year that touch all of the areas that DISB regulates, including enhancing financial education opportunities and possible legislative changes that would better promote equity in product and service availability and delivery to District residents.

Additionally, in FY 2020, DISB created an Office of Financial Empowerment and Education. This office hit the ground running and in response to COVID challenges facing District residents, secured funding in FY 2021 from the national nonprofit organization Cities for Financial Empowerment Fund (CFE Fund) to receive $80,000 in grant funding, technical assistance, and training to launch a new public Financial Navigators program that went live in early 2021. The Financial Navigators program is specifically designed to help residents deal with the financial impact of the COVID-19 pandemic, providing remote assistance in navigating critical financial issues and making referrals to other social services and resources to benefit residents.

DISB is also on track to open the District’s first Financial Empowerment Center (FEC). The FEC will provide professional financial counseling services to District residents, creating opportunities to raise credit scores, obtain banking services, and create a sustainable financial plan. Additionally, DISB will receive $657,858.00 from the American Rescue Plan Act (ARPA) in FY 2022 which will allow for the expansion of services and specific dedicated resources for our Returning Citizens population. This enhancement will provide a framework for financial resiliency for these Residents by providing more in-depth personal money management as well as connecting returning citizens to tangible financial resources. Banking products, savings vehicles, credit repair and improvement, matched savings opportunities, etc. will assist returning citizens to establish a better financial foundation.

DISB is also pleased about the expansion of the DC Opportunity Accounts Program. This program, which was re-launched by Mayor Bowser in FY 2019, assists low- and moderate-income District residents with saving money to, among other approved goals, buy a home in the District, launch a small business, or pay for post-secondary education and job training. Through FY 2020, more than 200 allocations for accounts have been filled. A modified vendor contract to increase the program was approved by the Council on June 1, 2021 and will increase capacity from $450,000 to $1,200,000. Upon finalization of that contract, we anticipate filling an additional 260 slots by the end of FY21. The FY22 budget assumes that we will not only be able to fill 260 slots from the current program level, but that we will also use further ARPA funding ($3,786,916.00) to grant an additional 333 accounts thus servicing 593 accounts.

Additionally, DISB continues to support the Mayor’s economic development goals through its DC BizCAP program. We have been particularly mindful of the vital need for increased awareness of DC BizCAP funding availability both immediately and post-COVID-19, which is why DISB redesigned its Coffee and Capital series into a virtual platform. The *Coffee and Capital* series provides an effective means of linking current and prospective entrepreneurs with useful contacts and information from DISB. Moving to a virtual platform allowed the agency to reach a wider audience and introduce more District small business owners to the resources that DISB makes available. Additionally, we developed new DC BizCAP outreach programs where we have worked with our lending partners as well as business groups such as the Greater Washington Hispanic Chamber of Commerce (GWHCC) to provide small businesses with the tools that they will need to apply for small business loans. In June 2020, the Banking Bureau hired a new Program Analyst to oversee the DC BizCAP Program and to date he has met with 249 individuals representing over 30 financial institutions. Additionally, he has taken part in 24 outreach events where he partnered with DCRA, DSLBD, DMPED, and GWHCC.

Finally, DISB remains committed to innovation in the regulation of the financial services industry. The District of Columbia Financial Services Regulatory Sandbox and Innovation Council was created by Mayor Bowser with a mandate to examine the feasibility of creating a safe regulatory space that would allow for more innovative financial services products, services and business models to be deployed in the District and produce a report to the Mayor with relevant findings and recommendations. The Sandbox Council successfully delivered its recommendation to create a regulatory sandbox to Mayor Bowser in October 2020, and DISB looks forward to working with the Committee to advance the proposed legislation currently before the Council that will kick off the District’s regulatory sandbox program.

In closing, the resources allocated to DISB will play a critical role not only in our regulatory oversight mandate but also in COVID-19 recovery for District residents and businesses, continued outreach programming to our residents and specifically to those most challenged economically during this time such as through expansion of our Student Loan Ombudsman and the Foreclosure Prevention Program. As important allies in this effort, I remain eager to work with you and the entire Council to ensure DISB’s efficient and effective operations. Thank you for the opportunity to testify today. I am pleased to answer your questions at this time.