



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 2438

PRINTERS NO. 3659

PRIME SPONSOR: Fleck

COST / (SAVINGS)

FUND	FY 2011/12	FY 2012/13
General Fund	\$0	(\$1,000,000)
Banking Fund	\$0	\$0

SUMMARY: House Bill 2438, Printer's Number 3659, amends the Banking Department Code renaming the act; providing for conflicts of interest and penalty; reorganizing the Department of Banking and the Pennsylvania Securities Commission; and making related repeals.

ANALYSIS: This legislation provides for the merger of the Department of Banking (Department) and the Pennsylvania Securities Commission (Commission). The functions of the Commission will be transferred to the Department and the securities division will be overseen by a deputy secretary. The new agency will be known as the Department of Banking and Securities and will be headed by the Secretary of Banking (Secretary). The act is renamed the Department of Banking and Securities Code and the Banking Department Fund is redesignated as the Banking Fund.

The new merged Department of Banking and Securities will now have a five member commission which will consist of the Secretary of Banking, a designee of the Governor, and three individuals appointed by the Governor with the advice and consent of a majority of the members of the Senate.

The legislation outlines the details of establishing the new agency, including allowing for transfers from the Commission to the Department. The Secretary is given the duty to prepare a plan that will merge the two agencies for an October 1, 2012, reorganization. By August 31, 2012, the Secretary shall submit a reorganization plan to the Executive Board for approval. If approved, the plan shall take effect September 28, 2012. The legislation outlines the terms, meetings, quorum, compensation, expenses and powers and duties of the newly created commission within the Department of Banking and Securities.

Fees and expenses associated with regulation of associations, credit unions, institutions and licensees will remain in the Banking Fund. Licensee fees and assessments generated through the Pennsylvania Securities Act of 1972 and the regulatory costs associated with these entities will remain in a separate account.

The Institution Resolution Account is established within the Banking Fund. The Secretary may use the money in the account to pay for costs associated with the seizure and liquidation of financial institutions. The Secretary will determine the amount of money put into the account based on economic and regulatory conditions from assessments, fees and administrative penalties generated from statutes administered by the Department.

The legislation includes repeals necessary to effectuate the consolidation. The preliminary and transitional provisions in the bill will take effect July 1, 2012, or immediately, whichever is later. The remainder of the bill will take effect October 1, 2012.

FISCAL IMPACT: Enactment of this legislation will have no adverse fiscal impact on Commonwealth funds. According to the Governor's Budget Office, the merger will result in cost savings associated with administrative, legal and budgetary responsibilities. The total cost savings to the General Fund will be \$1,000,000. The 2012-13 Governor's Executive Budget recommends an appropriation of \$21.349 million for the new agency plus \$7.721 million in augmentations for securities regulation. The transitional costs associated with the bill are estimated to be \$500,000.

PREPARED BY: Ritchie LaFaver
House Appropriations Committee (R)

DATE: June 18, 2012

Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.