

**SENATE APPROPRIATIONS COMMITTEE
FISCAL NOTE**

BILL NO. Senate Bill 1045

PRINTER'S NO. 1510

AMOUNT

See Fiscal Impact Section

FUND

General Fund

DATE INTRODUCED

June 27, 2013

PRIME SPONSOR

Senator White

DESCRIPTION AND PURPOSE OF BILL

Senate Bill 1045 amends the Pennsylvania Securities Act of 1972 (P.L. 1280, No. 284) to reflect changes necessitated by the consolidation of the Pennsylvania Securities Commission into the Department of Banking. The legislation also updates the Pennsylvania Securities Act of 1972 ("act") to be more consistent with federal securities law, existing state regulations, and appropriate sections of the Uniform Securities Act.

Under current law, each securities agent and investment adviser must pay an assessment fee when applying for an initial license or renewing a license. The legislation increases these fees and reinstates the assessment fee increase schedule that was in place from 2001 to 2010. The increased assessments will rise every three years until 2019.

Senate Bill 1045 establishes the Securities Regulation Account as a restricted account within the General Fund. For fiscal year 2013-14, the account will be funded by the auction rate securities settlement funds received by the former Pennsylvania Securities Commission. For subsequent fiscal years, the amount of the assessments, fees, and administrative penalties generated from section 602.1(b) and (c) of the act shall be transferred from the General Fund to the account. The transfer shall be based upon an estimate of these amounts and submitted annually by the Department of Banking and Securities to the Governor for his or her approval or disapproval. Such transfer shall continue until the Securities Regulation Account reaches a balance of \$12.5 million.

The moneys in the Securities Regulation Account are appropriated to the Department of Banking and Securities for special initiatives, regulatory needs, investor and entrepreneurial education and outreach programs, and unanticipated or adverse industry circumstances that require enhanced investor protection activities.

The act shall take effect in 60 days.

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FISCAL IMPACT:

According to the Governor's Budget Office, the Department of Banking and Securities collected \$5.3 million in compliance assessments for fiscal year 2012-13, which was deposited into the General Fund. The assessment fee increases contained in Senate Bill 1045 will result in compliance assessment fee revenue of approximately \$8.3 million annually by 2019, which is when the fee increase schedule will level off.

Any transfers from the General Fund to the newly established Securities Regulation Account will require the approval of the Governor. Presumably, such transfers will be made only if the Governor concludes that the assessments, fees, and administrative penalties currently deposited into the General Fund will be better utilized by being transferred to the Securities Regulation Account.