

March 28, 2011

The Honorable Forrest Knox, Chairperson
House Committee on Financial Institutions
Statehouse, Room 274-W
Topeka, Kansas 66612

Dear Representative Knox:

SUBJECT: Fiscal Note for HB 2376 by House Committee on Appropriations

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2376 is respectfully submitted to your committee.

HB 2376 would amend the Kansas Uniform Securities Act (KUSA) by giving the Securities Commissioner the ability to adopt into Kansas regulations later versions of certain federal statutes and regulations so that KUSA statutes would not require amendments when federal statutes change. The bill would also require fingerprinting and criminal history record checks for individuals applying for original or reinstated registrations or in connection with investigations of registered persons. The Securities Commissioner may fix and collect a fee for the fingerprinting and records check costs.

In addition, the bill would increase the maximum fees for investment advisor registrations and federal covered investment advisor (FICA) notice filings of \$300 to \$1,000. A new exemption filing and annual notice fee with a limit of \$1,000 for certain investment advisors would be established. The Commissioner may impose a graduated fee structure based on the amount of assets under management by the investment advisor. The current rate for registration of investment advisors and notice of filings of FICAs is \$100. HB 2376 also would add new grounds for discipline of broker-dealers, agents, investment advisers, or investment adviser representatives for failures to pay federal or state tax obligations or child support obligations.

Under current law, on the last day of each fiscal year, any unencumbered amount in the Securities Act Fee Fund that exceeds \$50,000 is transferred to the State General Fund with the remaining sum of \$50,000 used as the beginning balance for the following fiscal year. HB 2376 would increase the transfer threshold and beginning balance amounts to \$250,000. Additional requirements for the Investor Education Fund would also be added. HB 2376 would take effect after its publication in the *Kansas Register*.

Estimated State Fiscal Effect				
	FY 2011 SGF	FY 2011 All Funds	FY 2012 SGF	FY 2012 All Funds
Revenue	(\$200,000)	--	\$277,000	--
Expenditure	--	--	--	--
FTE Pos.	--	--	--	--

According to the Office of the Securities Commissioner, passage of HB 2376 would result in a one-time increase of \$200,000 for the Securities Act Fee Fund in FY 2011 and a corresponding decrease of the same amount to the State General Fund from the provision that decreases the end-of-year transfer from the Securities Act Fee Fund to the State General Fund. The estimate assumes that the bill would be published in the *Kansas Register* before July 1, 2011. The FY 2011 increase would result in a FY 2012 beginning balance of \$250,000. The Office notes that the higher beginning balance would provide approximately one month's of expenditures at the start of FY 2012 in the event July fee fund receipts are not sufficient.

It is also estimated that the fee rate changes would generate additional revenue to the Securities Act Fee Fund for FY 2012. While the Office states that a precise estimate is difficult to predict, it is assumed that the additional revenue could total approximately \$277,000, which would likely be included in the year-end transfer to the State General Fund. The Office expects the same amount of revenue for FY 2013. The estimate assumes that of 989 current FICA firms, 396 or 40.0 percent that have over \$100 million of assets under management would pay \$400 more than the current rate of \$100 (396 firms X \$400 = \$158,400) and 593 firms or 60.0 percent that have between \$25 million and \$100 million assets under management would pay \$200 more than the current rate of \$100 (593 firms X \$200 = \$118,600).

The Office anticipates that all fees collected for fingerprinting and criminal history checks would be used to offset by Kansas Bureau of Investigation charges for those services. Any fiscal effect associated with HB 2376 is not reflected in *The FY 2012 Governor's Budget Report*.

Sincerely,



Steven J. Anderson, CPA, MBA
Director of the Budget