

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2140-01
Bill No.: HB 846
Subject: Securities; Insurance - General; Insurance Dept.
Type: Original
Date: April 4, 2005

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
General Revenue	\$24,500	\$24,500	\$24,500
Total Estimated Net Effect on General Revenue Fund	\$24,500	\$24,500	\$24,500

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 4 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration (COA) - Division of Purchasing and Materials Management, COA - Division of Accounting, Department of Economic Development (DED) - Division of Credit Unions, DED - Division of Finance, Department of Insurance,** and **Office of State Treasurer** assume the proposal will have no fiscal impact on their organizations.

Officials from the **Office of Secretary of State (SOS) - Securities Division** state that eliminating the variable annuity exception from Missouri's securities law would authorize the SOS to enforce the national standards of professional conduct that the office currently enforces in other securities transactions. This would be accomplished without any additional resources. Although over 90% of variable annuity representatives in Missouri are registered as securities agents, the registration of an additional 490 insurance representatives/agents residing in Missouri, but not registered with the Missouri SOS Securities Division, would increase state general revenue by \$24,500 (490 X \$50) annually.

Officials from the **SOS - Rules Division** state the proposal regulates variable annuity contracts. The SOS - Commissioner of Securities may promulgate regulations to enact the proposal. These rules would be published in both the Missouri Register and the Code of State Regulations. These rules could require as many as 30 pages in the Code of State Regulations and 45 pages in the Missouri Register because cost statements, fiscal notes and notices that are not published in

the ASSUMPTION (continued)

Code. The estimated cost of a page in the Missouri Register is \$23. The estimated cost of a page in the Code of State Regulations is \$27. The actual cost could be more or less than the numbers given. The impact of this legislation in future years is unknown and depends upon the frequency and length of rules, filed, amended, rescinded, and withdrawn. The SOS estimates the cost of the proposal to be \$1,845 [(30 pgs. X \$27) + (45 pgs. X \$23)] for FY 06.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

This proposal will result in an increase in total state revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
GENERAL REVENUE FUND			
<u>Income - Office of Secretary of State</u>			
Registration fees	<u>\$24,500</u>	<u>\$24,500</u>	<u>\$24,500</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$24,500</u>	<u>\$24,500</u>	<u>\$24,500</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

A minimal fiscal impact to small businesses would be expected as a result of this proposal. It is estimated that 490 agents selling variable annuities and currently registered through the Central Registration Depository would need to pay the \$50 Missouri securities fee. However, of these 490 agents, most are associated with large investment companies. For 328 agents who have not passed the Uniform Securities Agent State Law exam (\$70 per examination), it is estimated that a one-time aggregate cost to those insurance agents selling variable annuities now, without a

state securities registration, may total \$22,960 (328 X \$70).

DESCRIPTION

This proposal makes a technical change to the definition of "security" as it is used in the laws regulating securities and removes references to provisions which have been repealed.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration -
 Division of Accounting
 Division of Purchasing and Materials Management
Department of Economic Development -
 Division of Credit Unions
 Division of Finance
Department of Insurance
Office of Secretary of State -
 Securities Division
 Rules Division
Office of State Treasurer



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