

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4517-02  
Bill No.: HB 1665  
Subject: Banks and Financial Institutions: Secretary of State; Securities  
Type: Original  
Date: March 25, 2004

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**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
General Revenue	\$24,500	\$24,500	\$24,500
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$24,500</b>	<b>\$24,500</b>	<b>\$24,500</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
<b>Total Estimated Net Effect on Other State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

#### **FISCAL ANALYSIS**

##### **ASSUMPTION**

Officials from the following agencies assumed this proposal would have no fiscal impact on their respective agencies: **Office of Administration - Division of Accounting and Division of Purchasing and Materials Management; Office of State Treasurer; Department of Economic Development - Division of Finance and Division of Credit Unions; and, Department of Insurance.**

Officials from the **Office of Secretary of State - Securities Division (SOS)** 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 agents would increase annual state revenue by \$24,500.

Officials from the **Office of Secretary of State (SOS)** assumed the rules, regulations and forms issued by the Department of Insurance and Securities Division of Secretary of State could require as many as 12 pages in the *Code of State Regulations*. For any given rule, roughly half again as many pages are published in the *Missouri Register* as in the Code because cost statements, fiscal notes and the like are not repeated in the Code. These costs are estimated. The estimated cost of a page in the *Missouri Register* is \$23. The estimated cost of a page in the *Code of State*

ASSUMPTION (continued)

*Regulations* is \$27. The actual costs could be more or less the SOS's estimated cost of \$738 for FY 2005. The impact of this legislation in future years is unknown and depends upon the frequency and length of rules, filed, amended, rescinded or withdrawn.

**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 increase Total State Revenue**

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
<b>GENERAL REVENUE</b>			
<u>Income</u> - Office of Secretary of State Registration Fees	\$24,500	\$24,500	\$24,500
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>\$24,500</u></b>	<b><u>\$24,500</u></b>	<b><u>\$24,500</u></b>
<u>FISCAL IMPACT - Local Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

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 at \$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.

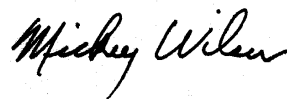
## DESCRIPTION

This proposal makes a technical change in the definition of "security" as it is used in the laws regulating securities. The proposal also repeals a reference to provisions of law that 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 State Treasurer  
Office of Administration  
    Division of Accounting  
    Division of Purchasing and Materials Management  
Department of Economic Development  
    Division of Finance  
    Division of Credit Unions  
Office of Secretary of State  
    Administrative Rules Division  
    Securities Division  
Department of Insurance



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