

# SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

**BILL NO.** Senate Bill 1545

**PRINTER'S NO.** 2267

**AMOUNT**

FY 2012-13: (\$1,000,000)

**FUND**

General Fund

**DATE INTRODUCED**

June 1, 2012

**PRIME SPONSOR**

Senator D. White

**HISTORY OF BILL**

Referred to INTERGOVERNMENTAL OPERATIONS, June 1, 2012

Reported as committed, June 5, 2012

First consideration, June 5, 2012

Second consideration, June 6, 2012

Re-referred to APPROPRIATIONS, June 6, 2012

Re-reported as amended, June 11, 2012

**DESCRIPTION AND PURPOSE OF BILL**

Senate Bill 1545 amends the Department of Banking Code (Act 111 of 1933) to consolidate the Pennsylvania Securities Commission into the Department of Banking.

Consolidation of the Pennsylvania Securities Commission ("commission") into the Department of Banking is intended to achieve efficiencies and cost savings while bringing the expertise of the staffs of these agencies together to interact and in order to better serve the Executive Branch and the citizens of this Commonwealth. The consolidated agency shall be known as the Department of Banking and Securities, and the former Department of Banking Code shall be known, and may be cited, as the "Department of Banking and Securities Code."

The legislation transfers the following functions of the Securities Commission to the Department of Banking, which are to be consolidated within the agency into a bureau, division, section or other organizational entity devoted to securities:

1. Administration of the Pennsylvania Securities Act of 1972.
2. Administration of the Pennsylvania Takeover Disclosure Law.
3. Administration of the Investment Business Licensing Law.
4. The imposition of fees pursuant to the Administrative Code of 1929.

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## **FISCAL NOTE**

The Banking Fund would become a restricted fund once again with the General Assembly appropriating operating funds from the Banking Fund. The revenue streams for operating funds for the banking-related portion of the new department and the securities commission portion of the department would remain separate. An institution resolution account would be created within the Banking Fund for paying expenses relating to a failed institution.

The Security Commission will be reestablished in the new merged department as the Banking and Securities Commission. The reconstituted commission will have final adjudication authority for securities and banking administrative proceedings. The three governor-appointed paid commissioners are to be retained with the Secretary of Banking and a non-paid governor's designee added to the commission. All commissioners shall be reimbursed for reasonable and necessary expenses incurred in the performance of their duties.

Senate Bill 1545 provides for the transition and implementation of the merger by requiring the secretary to review and assess the Securities Commission's organizational structure for an October 1, 2012 reorganization. By August 31, 2012, the secretary shall submit a reorganization plan to the Executive Board for approval as provided for in the Administrative Code of 1929. If the Executive Board approves, the plan shall take effect September 28, 2012.

In statutes, regulations and orders, a reference to the Pennsylvania Securities Commission shall be deemed a reference to the department. The legislation makes repeals and continuations as necessary to effectuate the establishment of the new department.

### **FISCAL IMPACT:**

Enactment of this legislation will have no adverse fiscal impact to the Commonwealth. According to the Governor's Budget Office, the merger of the Banking Department and the Securities Commission will result in cost savings associated with administrative, legal and budgetary responsibilities.

Total net cost savings are estimated at approximately \$1,000,000. The FY 2012-13 Governor's Executive Budget recommends \$7,721,000 for securities regulation under the newly created Department of Banking and Securities. The transitional costs associated with the bill are estimated to cost an additional \$500,000.