

HOUSE BILL REPORT

HB 2286

As Reported by House Committee On:
Business & Financial Services
Appropriations

Title: An act relating to the disposition of certain fees collected by the department of financial institutions for the securities division.

Brief Description: Addressing the disposition of certain fees collected by the department of financial institutions for the securities division.

Sponsors: Representatives Kirby, Vick and Reeves; by request of Department of Financial Institutions.

Brief History:

Committee Activity:

Business & Financial Services: 1/9/18, 1/10/18 [DP];
Appropriations: 1/29/18, 2/5/18 [DP].

Brief Summary of Bill

- Allows Securities Division fees to be increased through rulemaking if necessary to defray costs of administering the Securities Act.
- Requires all money attributable to the increase in Securities Division fees implemented by rule to be deposited into the account used for the administration of the Securities Act.

HOUSE COMMITTEE ON BUSINESS & FINANCIAL SERVICES

Majority Report: Do pass. Signed by 8 members: Representatives Kirby, Chair; Reeves, Vice Chair; Vick, Ranking Minority Member; Barkis, Bergquist, Blake, Santos and Stanford.

Minority Report: Without recommendation. Signed by 2 members: Representatives Walsh, Assistant Ranking Minority Member; Jenkin.

Minority Report: Do not pass. Signed by 1 member: Representative McCabe.

Staff: Robbi Kesler (786-7153).

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Background:

The Department of Financial Institutions (DFI), through its Securities Division, is responsible for the regulation of the securities market in this state. The Securities Division collects various fees for activities such as the registration of securities, licensing fees for securities broker-dealers, advisors and salespersons, filing fees, and other administrative fees. The fees range from \$5 for a duplicate license to calculated fees based upon the securities initial issue price.

The Securities Division must deposit 13 percent of all money received, except as otherwise required to be deposited into the securities prosecution fund, into an account in the custody of the State Treasurer. Money deposited shall be used for costs associated with the proper regulation of individuals and entities as required by the Securities Act including:

- supplies and equipment;
- salaries, wages, and utilities;
- reserve funds; and
- other incidental costs as necessary.

Summary of Bill:

The DFI, through rulemaking, may increase fees specified in RCW 21.20.340, by no more than \$15 after a finding that the increase in the fee is necessary to defray the cost of administering the Securities Act.

All money collected that is attributable to the increase in fees implemented by rule must be deposited into the account held in the custody of the State Treasurer for the purpose of administering the Securities Act.

Appropriation: None.**Fiscal Note:** Available.**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.**Staff Summary of Public Testimony:**

(In support) The DFI self-funds its regulatory activities through the licensing fees paid by the licensees. The Securities Division fees were last updated between 1965 and 1988, and the fee amounts are not enough to fund the Securities Division's regulatory activities; however, DFI's overall revenue has been sufficient to backstop the fund. The goal is to balance the accounts, move the Securities Division to a positive fund balance, and ensure that other regulated groups are not subsidizing another group for purposes of regulation.

(Opposed) None.

Persons Testifying: Representative Steve Kirby, prime sponsor; and Bill Beatty and Faith Anderson, Department of Financial Institutions.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass. Signed by 29 members: Representatives Ormsby, Chair; Robinson, Vice Chair; Chandler, Ranking Minority Member; MacEwen, Assistant Ranking Minority Member; Stokesbary, Assistant Ranking Minority Member; Bergquist, Buys, Caldier, Cody, Fitzgibbon, Graves, Haler, Hansen, Hudgins, Jinkins, Kagi, Lytton, Manweller, Pettigrew, Pollet, Sawyer, Schmick, Senn, Springer, Stanford, Sullivan, Tharinger, Vick and Wilcox.

Minority Report: Do not pass. Signed by 2 members: Representatives Condotta and Taylor.

Minority Report: Without recommendation. Signed by 1 member: Representative Harris.

Staff: Linda Merelle (786-7092).

Summary of Recommendation of Committee On Appropriations Compared to Recommendation of Committee On Business & Financial Services:

No new changes were recommended.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) For a decade, the Securities Division of the Department of Financial Institutions has incurred expenses that exceeded its revenue. The goal is to make the fund balance positive and to establish a reserve. The plan for raising revenue focuses on the fees for securities professionals. Other divisions are either breaking even or raising more revenue than they spend. With this bill, some fees for industries regulated by those other divisions could possibly be waived.

(Opposed) None.

Persons Testifying: Bill Beatty, Department of Financial Institutions.

Persons Signed In To Testify But Not Testifying: None.