

FISCAL NOTE

Return in triplicate)

Bill/Resolution No.: SB 2322 Amendment to: _____

Requested by Legislative Council Date of Request: 1-19-93

1. Please estimate the fiscal impact (in dollar amounts) of the above measure for state general or special funds, counties, and cities.

Narrative: This bill eliminates the Securities Department and creates a Division of Securities within the Insurance Department. Securities revenue will be deposited into the Insurance Regulatory Trust Fund. The Securities budget will be moved from the general fund to this trust fund. Any trust fund balance in excess of \$2 million at the end of each fiscal year will be transferred to the general fund instead of only once per biennium as is now the case. The net benefit to the general fund from this bill is \$207,287 for the 1993-95 biennium and \$313,048 for the 1995-97 biennium.

2. State fiscal effect in dollar amounts:

	<u>1991-93</u> <u>Biennium</u>		<u>1993-95</u> <u>Biennium</u>		<u>1995-97</u> <u>Biennium</u>	
	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Funds</u>	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Funds</u>	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Funds</u>
Revenues:		0	\$(426,248)	0	\$(333,156)	0
Expenditures:		0	(633,535)	\$633,535	(646,204)	\$646,204

*Attached is a worksheet and explanation of calculations.

3. What, if any, is the effect of this measure on the appropriation for your agency or department:

- a. For rest of 1991-93 biennium: 0
- b. For the 1993-95 biennium: \$633,535
- c. For the 1995-97 biennium: \$646,204

4. County and City fiscal effect in dollar amounts:

	<u>1991-93</u> <u>Biennium</u>		<u>1993-95</u> <u>Biennium</u>		<u>1995-97</u> <u>Biennium</u>	
	<u>Counties</u>	<u>Cities</u>	<u>Counties</u>	<u>Cities</u>	<u>Counties</u>	<u>Cities</u>
	0	0	0	0	0	0

If additional space is needed, attach a supplemental sheet.

Signed 

Typed Name Dan Ulmer

Department Insurance Department

Phone Number 224-2440

Date Prepared: 1/27/93

SB2322 FISCAL NOTE SPREADSHEET
EXPLANATION OF DOLLAR IMPACT

INS. TRUST FUND
ENDING BALANCE 6/30/93 \$3,000,000.00
TRANSFER TO GENERAL FUND \$1,000,000.00
ADJUSTED ENDING BALANCE \$2,000,000.00 CARRIED OVER TO 93-95 BIENNIUM

FISCAL YEAR END	SECURITIES REVENUE	INSURANCE REVENUE	SECURITIES BUDGET	INSURANCE BUDGET	TRANSFER TO GENERAL FUND
6/30/94	\$1,730,000.00	\$1,800,000.00	\$316,767.00	\$1,489,814.00	\$2,003,319.00
INVEST REV	\$51,900.00	\$228,000.00			
6/30/95	\$1,750,500.00	\$1,825,000.00	\$316,768.00	\$1,489,814.00	\$2,050,933.00
INVEST REV	\$52,515.00	\$229,500.00			
6/30/96	\$1,775,500.00	\$1,850,000.00	\$323,102.00	\$1,519,610.00	\$2,095,181.00
	\$62,143.00	\$250,250.00			
6/30/97	\$1,800,000.00	\$1,875,000.00	\$323,102.00	\$1,519,610.00	\$2,147,163.00
	\$63,000.00	\$251,875.00			

THE 93-95 BIENNIUM BUDGET FIGURES ARE TAKEN FROM GOVERNOR SCHAFER'S BUDGET RECOMMENDATIONS. THE 95-97 BIENNIUM BUDGET FIGURES ARE BASED ON AN ESTIMATED 2% INCREASE. THE YEARLY REVENUE PROJECTIONS ALSO INCLUDE A VERY SMALL ESTIMATED INCREASE, BASED ON HISTORICAL PATTERNS. THE INVESTMENT RETURNS ON THE INSURANCE REVENUE AND THE \$2,000,000 CARRY OVER ARE BASED ON A 6% RATE OF RETURN FOR THE 93-95 BIENNIUM. IF THE SECURITIES REVENUES WERE DEPOSITED INTO THE GENERAL FUND, IT IS ASSUMED THAT THE INVESTMENT RETURN WOULD BE APPROXIMATELY 3%. THEREFORE, TO PROVIDE A FAIR COMPARISON OF FISCAL IMPACT, THE INVESTMENT RETURNS ON THE SECURITIES REVENUE IN THE ABOVE TRUST FUND WORKSHEET IS CALCULATED AT ONLY 3%, BECAUSE THIS IS THE ESTIMATED DIFFERENCE BETWEEN THE RATES OF RETURN OF THE GENERAL FUND AND THE TRUST FUND.

LIKewise, THE INSURANCE REVENUES AND THE 2 MILLION CARRY OVER ARE PROJECTED TO EARN 6.5% IN THE 95-97 BIENNIUM, WHILE THE SECURITIES REVENUES ARE SHOWN AT ONLY 3.5% (THIS ASSUMES THAT THE GENERAL FUND WOULD CONTINUE TO EARN APPROXIMATELY 3% FOR THE 95-97 BIENNIUM).

(cont.)

FOR THE 93-95 BIENNIUM, THE FISCAL NOTE SHOWS A DECREASE IN REVENUE TO THE GENERAL FUND OF \$426,248. BUT, IT ALSO SHOWS A DECREASE IN EXPENDITURES BY THE GENERAL FUND OF \$633,535. THE OVERALL EFFECT IS A \$207,287 "NET BENEFIT" TO THE GENERAL FUND FOR THE BIENNIUM.

THESE NUMBERS WERE CALCULATED AS FOLLOWS:

UNDER CURRENT LAW, THE GENERAL FUND WOULD RECEIVE SECURITIES REVENUES FOR THE BIENNIUM (\$3,480,500) AND ALSO ABOUT A \$1,000,000 SWEEP FROM THE TRUST FUND AT THE END OF THE BIENNIUM, WHICH EQUATES TO \$4,480,500 IN REVENUES FLOWING TO THE GENERAL FUND FROM BOTH THE SECURITIES DEPARTMENT AND THE INSURANCE DEPARTMENT FOR THE 93-95 BIENNIUM.

UNDER THE MERGER, ANY BALANCE IN THE TRUST FUND EXCEEDING \$2 MILLION AT THE END OF A FISCAL YEAR IS SWEEP INTO THE GENERAL FUND. THE CALCULATIONS SHOW THAT \$2,003,319 WOULD BE SWEEP ON 6/30/94, AND THAT \$2,050,933 WOULD BE SWEEP ON 6/30/95. THUS, A TOTAL OF \$4,054,252 IN REVENUES WOULD BE RECEIVED BY THE GENERAL FUND FOR THE 93-95 BIENNIUM. THIS IS \$426,248 LESS THAN THE \$4,480,500 FIGURE CALCULATED ABOVE UNDER CURRENT LAW.

HOWEVER, THE FISCAL NOTE ALSO SHOWS A DECREASE IN EXPENDITURES BY THE GENERAL FUND OF \$633,535 FOR THE 93-95 BIENNIUM, BECAUSE THIS AMOUNT IS EQUAL TO THE SECURITIES BUDGET WHICH WOULD BE APPROPRIATED FROM THE TRUST FUND.

THEREFORE, THE "NET BENEFIT" TO THE GENERAL FUND FOR THE 93-95 BIENNIUM IS $\$633,535 - \$426,428 = \$207,287$.

THE FISCAL NOTE SHOWS \$0.00 IN INCREASED REVENUES TO THE SPECIAL FUND BECAUSE OF THE \$2,000,000 CAP WHICH DOES NOT ALLOW THE FUND TO ACCUMULATE ANY INCREASE IN REVENUES BEYOND THIS.

THE FIGURES FOR THE 95-97 BIENNIUM WERE CALCULATED IN EXACTLY THE SAME WAY. REVENUES TO THE GENERAL FUND DECREASE BY \$333,156 AND THE EXPENDITURES FROM THE GENERAL FUND DECREASE BY \$646,204 (THE SECURITIES BUDGET). THEREFORE, THE "NET BENEFIT" TO THE GENERAL FUND FOR THE 95-97 BIENNIUM IS $\$646,204 - \$333,156 = \$313,048$.