

Legislative Fiscal Division

Revenue Estimate Profile

Investment License Fee

Revenue Description: Investment advisors and investment companies pay fees to the state for registration of securities and agents, registration of securities by notification, notice of a federal filing of a federally secured security, and name changes.

Statutory Reference:

Fee Rate (MCA) – 30-10-209, 30-10-904

Fee Distribution (MCA) – excess to general fund (30-10-115), 30-10-209(6), portfolio notice fee (30-10-209(1d)), 30-10-210(2), 30-10-907

Date Due (Regulation of dealers) – initial (upon registration), annual (prior to December 31st) (30-10-201 (9&11))

Date Due (Regulation of securities) – upon registration (30-10-206(3c), valid for one year (30-10-209(1b)), renewal (prior to termination date):

Applicable Tax Rate(s): Initial and annual security registration fees vary based on the offering price of securities, but cannot be less than \$200 or more than \$1,000. Initial and annual registration fees for a broker-dealer, investment adviser, and federal covered adviser are \$200. Initial and annual registration fees for a salesperson or investment adviser are \$50. The fee for name changes to series, portfolio, or a subdivision of an investment company is \$50. More details on the fees are provided below.

Security Fees Collected by the State Auditor				
Fee	Amount	MCA Cite	ARM Cite	
<u>General Fund</u>				
Certified or uncertified copies	0.5	30-10-107		
Initial registration for the first \$100,000 issue	200	30-10-209		
Additional registration fee of 0.1% over \$100,000 max of \$1,000	1,000	30-10-209		
Registration renewal fee of 0.1%, min of \$200 & max of \$1,000	1,000	30-10-209		
Late amended registration 0.3%, min of \$600 & max of \$3,000	3,000	30-10-209		
Name change of series, portfolio or other subdivision of an issuer	50	30-10-209		
Registration for broker-dealer or investment adviser	200	30-10-209		
Registration renewal for broker-dealer or investment adviser	200	30-10-209		
Initial registration for salesperson or investment adviser representative	50	30-10-209		
Registration renewal for salesperson or investment adviser representative	50	30-10-209		
Transfer of registration for salesperson or investment adviser representative	50	30-10-209		
Initial registration for federal covered adviser	200	30-10-209		
Registration renewal for federal covered adviser	200	30-10-209		
Certified or uncertified copies	Various	30-10-209		
Request for exemption for transaction in compliance with rules-first \$100,000	200	30-10-209		6.10.120
Request for exemption for transaction in compliance with rules-0.1% over \$100,000, \$1,000 ma	1,000	30-10-209		6.10.120
Request for exemption for other transactions	50	30-10-209		
Living trusts initial license application for the first \$100,000 issue	200	30-10-904		
Living trusts additional license application fee of 0.1% over \$100,000 max of \$1,000	1,000	30-10-904		
Living trusts license renewal fee of 0.1%, min of \$200 & max of \$1,000	1,000	30-10-904		
<u>State Auditor's Office</u>				
Collected examination costs	Various	30-10-115		
Portfolio notice filing - Initial registration for the first \$100,000 issue	200	30-10-209		
Portfolio notice filing - Additional registration fee of 0.1% over \$100,000 max of \$1,000	1,000	30-10-209		
Portfolio notice filing - Registration renewal fee of 0.1%, min of \$200 & max of \$1,000	1,000	30-10-209		
Portfolio notice filing - Late amended registration 0.3%, min of \$600 & max of \$3,000	3,000	30-10-209		

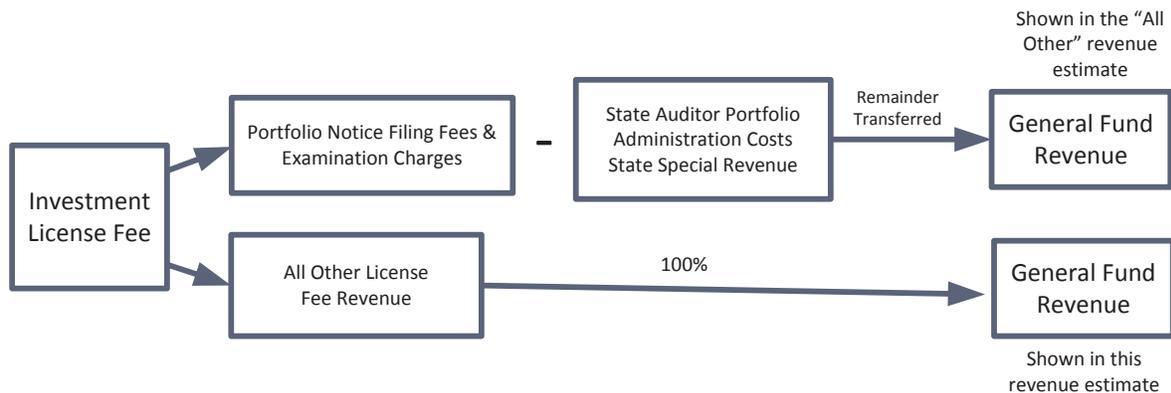
Distribution: All fees except portfolio notice filing fees and examination charges are deposited to the general fund. Portfolio notice filing fees and examination charges are deposited in a state special revenue account from which the State Auditor pays for expenses associated with the regulation of portfolio activities. The excess in this account is transferred to the general fund throughout the year as a non-budgeted transfer and is shown under the “All Other” revenue category.

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Distribution Chart:



Summary of Legislative Action: The 63rd Legislature did not enact legislation that impacted this source.

Collection Frequency: Varies

% of Total General Fund Revenue:

FY 2004 – 0.35%	FY 2007 – 0.33%	FY 2010 – 0.38%
FY 2005 – 0.34%	FY 2008 – 0.33%	FY 2011 – 0.39%
FY 2006 – 0.33%	FY 2009 – 0.36%	FY 2012 – 0.37%

Revenue Estimate Methodology: Investment license fee revenue is obtained from two major sources: portfolio notice filing and examination fees (state special revenue), and many other varied fees (general fund). The portfolio notice filing fees, examination fees, and other permit revenue are estimated separately and then summed.

Data

The state accounting system (SABHRS) provides historical collection data for the state special revenue portfolio notice filing fees, as well as revenue from examination fee and fees distributed to the general fund. The State Auditor's Office provides revenue estimates of the general fund and examination fees in its biennial budget submission for the forecast period. Also provided in the budget submission are requested appropriations for the portfolio regulatory program that are needed to determine the transfer amount of portfolio notice filing and examination fee revenue to the general fund.

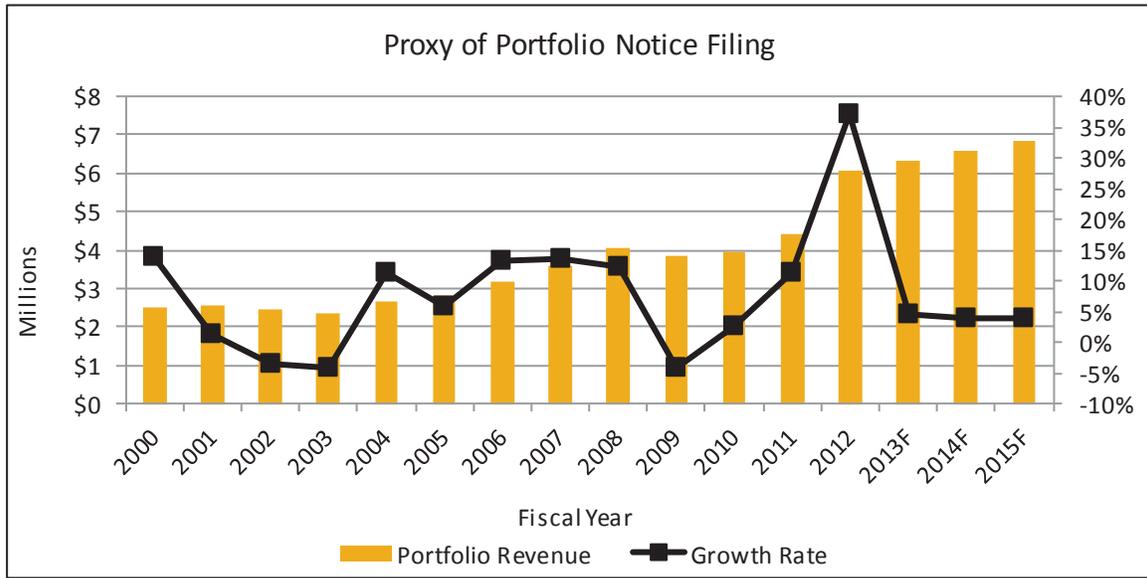
Analysis

The portfolio notice filing fee and the licenses and permits are both modeled on the S&P 500 Index.

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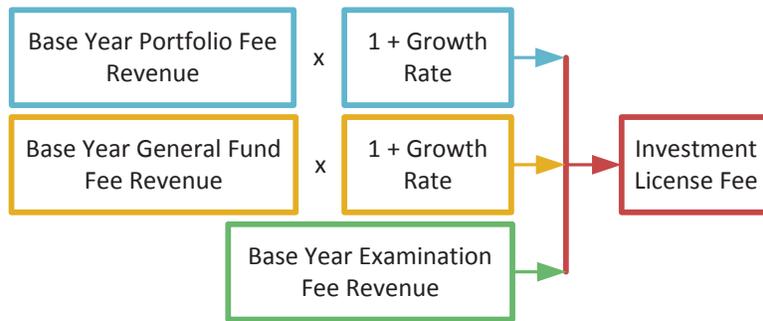
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Adjustments and Distribution

Since the general fund and the state special revenue component are estimated under separate methodologies, the distribution of the revenue has already been done. However, there is a further distribution of the portfolio notice filing and examination fee revenue after it is in the state special revenue fund. Once there, the revenue is reduced by estimates of the appropriations required by the State Auditor’s Office to regulate portfolio activities. The remaining amount of the fee revenue is then transferred to the general fund. The general fund transfer amounts are not shown in this revenue source, but are shown in the “All Other” revenue source.

Forecast Methodology:



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Revenue Estimate Assumptions:

This section contains the assumptions used to generate the revenue estimates contained in Senate Joint Resolution 2. It does not reflect changes, if any, enacted by the 2013 Legislature that may affect future estimates of this revenue source.

	t	Total Tax	GF Tax	GF Transfer	Licenses	Portfolio	Portfolio
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Expenses</u>
							<u>Millions</u>
Actual	2002	7.467	4.992	2.179	4.992	2.476	0.202
Actual	2003	7.520	5.142	2.036	5.142	2.378	0.321
Actual	2004	7.486	4.834	2.113	4.834	2.652	0.684
Actual	2005	8.007	5.192	2.110	5.192	2.815	0.690
Actual	2006	8.764	5.584	2.234	5.584	3.180	0.654
Actual	2007	9.692	6.095	2.977	6.095	3.597	0.630
Actual	2008	10.556	6.514	3.309	6.514	4.068	0.674
Actual	2009	10.333	6.461	3.318	6.461	3.887	0.675
Actual	2010	10.195	6.225	2.969	6.225	3.994	1.056
Actual	2011	11.342	6.922	3.278	6.922	4.426	1.152
Actual	2012	13.016	6.961	4.965	6.961	6.065	1.139
Forecast	2013	13.547	7.210	5.147	7.210	6.337	1.190
Forecast	2014	14.046	7.457	5.205	7.457	6.589	1.384
Forecast	2015	14.557	7.714	5.466	7.714	6.844	1.377

	t	Licenses	Portfolio	Expense
	<u>Fiscal</u>	<u>Growth %</u>	<u>Growth %</u>	<u>Growth %</u>
Actual	2002	-15.2%	-3.4%	49.2%
Actual	2003	3.0%	-4.2%	58.5%
Actual	2004	-6.0%	11.5%	113.1%
Actual	2005	7.4%	5.8%	0.9%
Actual	2006	7.5%	13.3%	-5.2%
Actual	2007	9.1%	13.7%	-3.6%
Actual	2008	6.9%	12.4%	6.9%
Actual	2009	-0.8%	-4.2%	0.2%
Actual	2010	-3.7%	2.5%	56.5%
Actual	2011	11.2%	11.3%	9.1%
Actual	2012	0.6%	37.0%	-1.1%
Forecast	2013	0.0%	0.0%	4.4%
Forecast	2014	0.0%	0.0%	16.3%
Forecast	2015	0.0%	0.0%	-0.5%

Total Tax = Licenses + Portfolio - Portfolio Expenses

GF Tax = Licenses

GF Transfer = Portfolio - Portfolio Expenses

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Revenue Projection:

