

Individual State Agency Fiscal Note

Bill Number: S-0660.1	Title: Establishing the Washington investment trust.	Agency: 102-Dept of Financial Institutions
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

ACCOUNT	FY 2012	FY 2013	2011-13	2013-15	2015-17
Financial Services Regulation Account-Non-Appropriated 300-6		946,707	946,707	2,060,874	2,113,457
Total \$		946,707	946,707	2,060,874	2,113,457

Estimated Expenditures from:

	FY 2012	FY 2013	2011-13	2013-15	2015-17
FTE Staff Years	0.2	7.8	4.0	8.4	8.7
Account					
Financial Services Regulation Account-Non-Appropriated 300 -6	16,682	930,025	946,707	2,060,874	2,113,457
Total \$	16,682	930,025	946,707	2,060,874	2,113,457

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact: Edward Redmond	Phone: 360-786-7471	Date: 01/18/2011
Agency Preparation: Bonnie Anderson	Phone: (360) 902-8792	Date: 01/25/2011
Agency Approval: Gloria Papiez	Phone: (360) 902-8820	Date: 01/25/2011
OFM Review: Matthew Bridges	Phone: (360) 902-0575	Date: 01/26/2011

Request # 007-11-2

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Section 2 states that the investment trust blue ribbon task force is established. The director, the treasurer, and the governor, or their designees, shall be members of the task force. The initial meeting of the task force shall convene within thirty days after the effective date of this section. The task force shall report its findings, recommendations, and implementation plan to the appropriate committees of the legislature by December 1, 2011. If a recommendation is made to start the investment trust, then the task force's implementation plan will be put in place and the trust is created.

If created, Section 6 states that the commission (investment trust commission) shall commence trust operations, according to the implementation plan developed by the task force under section 4 of this act, by January 1, 2013. The trust must be fully operational by July 1, 2013. The treasurer shall deposit all state moneys in the trust by June 30, 2015.

The Department has estimated that the bank would have approximately 12 billion on deposit by the June 30, 2015 timeframe. This estimate is based on fiscal year end numbers from the state treasurer that include funds from treasury funds, trust funds and the local government investment pool. The local government investment pool held \$8.9 billion as of June 30, 2010.

Section 10 of the bill states that the director may examine the trust in the same manner as a state-chartered financial institution under RCW 30.04.060. The trust must pay the director for the reasonable costs of examinations.

The Department anticipates a pre-opening review prior to the trust becoming fully operational, with visits every three months after July 1, 2013 and its first annual exam prior to June 30, 2014.

Due to the size of the investment trust, the Department estimates that it will take approximately 8,480 hours to examine this institution in FY2013. Examination hours will increase over time as loans are being made.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

Section 10 states that the director may examine the trust in the same manner as a state-chartered financial institution under RCW 30.04.060 and that the trust must pay the director for the reasonable costs of examinations.

The Department has two fee structures in place for its state-chartered financial institutions. A rate of \$80.60 per hour plus a semi-annual assessment for depository institutions with federal deposit insurance and \$111.64 per hour for trust companies and other non-insured institutions with no semi-annual assessment rate. Since the investment trust does not have federally insured deposits and does not allow any fees or assessments levied against it, the Department would be using the higher rate.

The Department charges for exams by the hour and based upon its experience examining all sizes of institutions, estimates charging for 8,480 billable hours in the first year. This includes 6,200 regular and compliance exam hours, 1,000

visitation hours (new banks are examined quarterly for the first year of existence and at least every six months in years two and three), 480 IT exam hours (computer systems), and 800 admin/review hours (this includes 700 in pre-opening review hours for initial start-up) ($6,200+1,000+480+800 = 8,480$). Therefore, FY2013 revenue receipts are estimated at \$946,707 ($8,480 \times \$111.64 = \$946,707$).

All assumptions are based on a 12 billion dollar investment trust. This does not include any additional growth that could come in from any other source as stated in section 8(4) of the bill. These additional funds and associated assets may increase examination time.

In addition, since this will not be a Federally insured institution, the Department will not have access to Federal assistance for on-site examinations or off-site monitoring. Also due to the size of the investment trust, the Department must perform annual examinations. Any state-charter of this size would have an annual exam conducted of its institution.

In FY2014, the Department anticipates charging for 9,580 billable hours. Total examination hours would increase to 7,000, plus 1,000 hours for a compliance examination, 1,000 visitation hours, 480 IT exam hours, and 100 admin/review hours ($7,000+1,000+1,000+480+100 = 9,580$) for total revenues of \$1,069,511 ($9,580 \times \$111.64 = \$1,069,511$). The increase in exam hours is based on the assumption that more loans will be added to the books in the second year that take additional time to review.

In FY2015, the Department anticipates charging for 8,880 billable hours. This assumes an increase examination hours due to loan growth to 7,300 hours, 1,000 compliance examination hours, 480 IT examination hours and 100 admin/review hours ($7,300+1,000+480+100 = 8,880$) for total revenue of \$991,363 ($8,880 \times \$111.64 = \$991,363$).

In FY2016, the Department anticipates charging for 9,264 billable hours. This assumes an increase examination hours due to loan growth to 7,684 hours, 1,000 compliance examination hours, 480 IT examination hours and 100 admin/review hours ($7,684+1,000+480+100 = 9,264$) for total revenue of \$1,034,233 ($9,264 \times \$111.64 = \$1,034,233$).

In FY2017, the Department anticipates charging for 9,667 billable hours. This assumes an increase examination hours due to loan growth to 8,087 hours, 1,000 compliance examination hours, 480 IT examination hours and 100 admin/review hours ($8,087+1,000+480+100 = 9,667$) for total revenue of \$1,079,224 ($9,667 \times \$111.64 = \$1,079,224$).

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Section 2 states that the investment trust blue ribbon founding task force is established, with the director, the treasurer, and the governor, or their designees, shall be members of the task force. The Department has assumed the estimated cost for the Division of Bank's director and agency counsel's time spent on the task force is \$16,682.

Section 10 states that the director may examine the trust in the same manner as a state-chartered financial institution under RCW 30.04.060. The trust must pay the director for the reasonable costs of examinations.

Expenditure assumptions include salaries, benefits, goods and services, equipment, supplies, admin overhead, travel and attorney general costs.

FY2013: The Department estimates 6,200 examination hours, 1,000 visitation hours, 480 IT (computer systems) hours, 800 admin/review (which includes 700 hours for pre-opening review) hours in FY2013; which will require an estimated 7.8 FTEs including 5.8 Financial Examiner 4s, 1 Secretary Senior, and 1 admin staff. Expenditures for FY2013 total \$930,025.

FY2014: The Department estimates 7,000 examination hours (increase due to estimated loan growth), 1,000 compliance examination hours, 1,000 visitation examination hours, 480 IT examination hours, 100 admin/review hours in FY2014; which will require an estimated 8.6 FTEs including 6.5 Financial Examiner 4s (increase due to the need to conduct compliance exams), 1 Secretary Senior, and 1.1 admin staff. Estimated expenditures for FY2014 total \$1,069,511.

FY2015: The Department estimates 7,300 examination hours (increase due to estimated loan growth), 1,000 compliance examination hours, 480 IT examination hours, 100 admin/review hours in FY2015; which will require an estimated 8.1 FTEs are needed which include 6.0 Financial Examiner 4s (decrease due to no more need for visitation examinations), 1.0 Secretary Senior, and 1.1 admin staff. Estimated expenditures for FY2015 total \$991,363.

FY2016: The Department estimates 7,684 examination hours (increase due to estimated loan growth), 1,000 compliance examination hours, 480 IT examination hours, 100 admin/review hours in FY2016; which will require an estimated 8.5 FTEs including 6.3 Financial Examiner 4s (increase due to estimated loan growth), 1.1 Secretary Senior, and 1.1 admin staff. Estimated expenditures for FY2016 total \$1,034,233.

FY2017: The Department estimates 8,087 examination hours (increase due to estimated loan growth), 1,000 compliance examination hours, 480 IT examination hours, 100 admin/review hours in FY2017; which will require an estimated 8.9 FTEs including 6.6 Financial Examiner 4s (increase due to estimated loan growth), 1.1 Secretary Senior, and 1.2 admin staff. Estimated expenditures for FY2017 total \$1,079,224.

Estimated AG costs are included in goods and services expenditures.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2012	FY 2013	2011-13	2013-15	2015-17
FTE Staff Years	0.2	7.8	4.0	8.4	8.7
A-Salaries and Wages	11,338	479,975	491,313	1,028,767	1,066,355
B-Employee Benefits	3,120	130,011	133,131	278,658	288,842
C-Personal Service Contracts					
E-Goods and Services	2,163	161,660	163,823	444,365	415,767
G-Travel	61	123,279	123,340	276,084	306,206
J-Capital Outlays		35,100	35,100	33,000	36,287
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total:	\$16,682	\$930,025	\$946,707	\$2,060,874	\$2,113,457

III. B - Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2012	FY 2013	2011-13	2013-15	2015-17
Division Director	110,508	0.1		0.1		
Financial Examiner 4	69,756		5.8	2.9	6.3	6.5
Fiscal Analyst 3	44,712		1.0	0.5	1.1	1.2
Legal Counsel	102,840	0.1		0.1		
Secretary Senior	29,784		1.0	0.5	1.0	1.1
Total FTE's	357,600	0.2	7.8	4.0	8.4	8.7

Part IV: Capital Budget Impact

NONE

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.