

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2016-17		FY 2017-18	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS	147,833		142,728	
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	147,833		142,728	

Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.

LB953 would require the Department of Banking and Finance to investigate notices received from investment advisors, investment advisor representatives, broker dealers, and broker-dealer agents which indicate potential, attempted, or ongoing financial exploitation of a person 60 years of age or older. Similarly, the bill would require the Department of Insurance to investigate notices received from insurance companies indicating potential, attempted, or ongoing financial exploitation of such individuals. The respective agencies would be required to complete an investigation within 15 days of receipt of such notice unless a court order extending the investigation is received.

In the attached fiscal note responses, the respective agencies cite statistics relating to the volume of relevant licensees and registrants that may provide notice of potential, attempted, or ongoing financial exploitation under provisions of LB953. The Department of Banking and Finance estimates 25 notices annually and the Department of Insurance estimates 24 related notices annually should LB953 be enacted. Both agencies cite that the 15-day limitation for completion of related investigations will necessitate prioritized, immediate and intensive investigation processes which will require additional staff resources. The Department of Banking and Finance indicates the related workload would necessitate an additional 1.0 FTE Securities Analyst II position while the Department of Insurance estimates the related workload would require an additional 1.0 FTE Insurance Claims Investigator I position. Given the assumed volume of annual notices, these estimates appear reasonable.

LB953 estimated investigation costs:

<u>Department of Banking & Finance</u>		<u>2016-17</u>	<u>2017-18</u>
Securities Analyst II	Salary & benefits	60,426	60,426
	Non-personnel expense	<u>16,700</u>	<u>13,200</u>
Department of Banking & Finance Subtotal		77,126	73,626
<u>Department of Insurance</u>			
Insurance Claims Investigator I	Salary & benefits	63,399	64,826
	Non-personnel expense	<u>7,308</u>	<u>4,276</u>
Department of Insurance Subtotal		70,707	69,102
TOTAL		<u>147,833</u>	<u>142,728</u>

LB953 also provides that the Department of Banking and Finance as well as the Department of Insurance may develop training resources to assist financial advisors, qualified individuals, and firms (as defined in the bill) in the prevention and detection of financial exploitation. The Department of Insurance estimates a one-time cost of \$100,000 to contract for the development of related training resources. The Department of Banking and Finance indicates it may need to contract with organizations or individuals on a temporary basis to develop such training resources, but does not specifically estimate a related cost. Given the permissive nature of the bill's provisions regarding such training resources, it would appear related funding would be at the discretion of the Legislature.

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES			
LB: 953	AM:	AGENCY/POLT. SUB: Department of Banking & Finance	
REVIEWED BY: Robin Kilgore		DATE: 1-29-16	PHONE: 471-4180
COMMENTS: No basis to disagree with agency estimate of fiscal impact.			

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES			
LB: 953	AM:	AGENCY/POLT. SUB: Department of Insurance	
REVIEWED BY: Robin Kilgore		DATE: 1-29-16	PHONE: 471-4180
COMMENTS: No basis to disagree with agency estimate of fiscal impact.			

Please complete ALL (5) blanks in the first three lines.

2016

LB⁽¹⁾ 953

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾

Department of Banking & Finance

Prepared by: ⁽³⁾

Margo Sawyer

Date Prepared: ⁽⁴⁾

1/28/16

Phone: ⁽⁵⁾

471-4954

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2016-17</u>		<u>FY 2017-18</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	<u>77,126</u>	_____	<u>73,626</u>	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u>77,126</u>	_____	<u>73,626</u>	_____

Explanation of Estimate:

LB 953 would require the Department of Banking and Finance to investigate notices received from investment advisors, investment advisor representative, broker-dealers, and broker-dealer agents which indicate potential, attempted, or ongoing financial investigation of clients who are 60 years of age or older. The Department must complete an investigation within 15 days of its receipt of such notice. The only way to extend the time frame would be through the issuance of an administrative order or by obtaining a court order, either of which would also require extensive work. Investigations would include, but not be limited to, detailed examination of financial records and witness interviews and, along with preparing the determinations and any order or court filings, would be expected to take all of the allowable 15 days.

As the Department would be required to commence an investigation immediately, the Department estimates that at a minimum two staff persons would require advanced training in investigation techniques for cases of suspected elder financial exploitation, so that one person would always be available to commence an investigation. Training would likely require out-of-state travel and lodging along with registration fees.

As of the most recent fiscal year end, 1,360 firms were licensed as broker-dealers and 101 as investment advisors. There were 93,483 registered agents of broker-dealers, and 3,825 investment advisor representatives. It is therefore more than likely that the Department would receive at least 25 notices per year, which would require the addition of a new position in the Securities Division, possibly as a Securities Analyst or Securities Investigator. If the number of notices increases, additional investigative and legal staff would be required. Current staff could not absorb the duties assigned by the bill.

LB 953 also provides that the agency may develop training resources to assist the above-listed registrants “in the prevention and detection of financial exploitation.” The Department may have to contract with organizations or individuals on a temporary basis to develop such resources.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS		2016-17	2017-18
	<u>16-17</u>	<u>17-18</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Securities Analyst II	1	1	46,476	46,476
Benefits.....			13,950	13,950
Operating.....			8,200	8,200
Travel.....			5,000	5,000
Capital outlay.....			3,500	
Aid.....				
Capital improvements.....				
TOTAL.....			77,126	73,626

Please complete ALL (5) blanks in the first three lines.

2016

LB⁽¹⁾ 953

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾

Nebraska Department of Insurance

Prepared by: ⁽³⁾ Robert M. Bell

Date Prepared: ⁽⁴⁾ _____

Phone: ⁽⁵⁾ (402) 471-4650

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2016-17</u>		<u>FY 2017-18</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	170,707	_____	69,102	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Explanation of Estimate:

Legislative Bill 953 would require the Department of Insurance to investigate notices received from an insurance company that it is delaying the execution of or disbursement of funds from a financial transaction due to suspected wrongful, unauthorized, or deceitful taking or attempted taking, withholding, appropriation or use of money, assets, real property, or personal property of a person sixty years of age or older. Such an investigation must be completed within fifteen business days unless the Department issues an order or receives a court order extending the investigation.

While the Department's Consumer Affairs Division and Fraud Division already investigate claims of licensees exploiting seniors, such investigations are typically not complete within fifteen days and do not involve a delayed financial transaction. The Department licenses over 5,000 insurers and other organizations. The fifteen business day window would require notices received from these entities to receive priority and each notice would require intensive investigation. The Department estimates receiving two such notices a month. As a result, the Department would require an additional Insurance Claims Investigator I to properly implement the law.

LB 953 also states that the Department of Insurance may develop training resources to assist insurance producers and insurers in the prevention and detection of financial exploitation of seniors. The development would likely be done in cooperation with the Department of Banking and Finance. The Department estimates a one-time cost of \$100,000 to contract with for the development of the training resources.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2016-17</u>	<u>2017-18</u>
	<u>16-17</u>	<u>17-18</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Insurance Claims Investigator I	1.0	1.0	46,962	48,019
Benefits.....			16,437	16,807
Operating.....			104,158	4,276
Travel.....				
Capital outlay.....			3,150	
Aid.....				
Capital improvements.....				
TOTAL.....			170,707	69,102