SB13-154

Colorado Legislative Council Staff Fiscal Note

STATE
FISCAL IMPACT

Drafting Number:	LLS 13-0169	**Date:**	February 18, 2013
Prime Sponsor(s):	Sen. Jahn Rep. Williams	**Bill Status:**	Senate Business, Labor, & Technology
		Fiscal Analyst:	Bill Zepernick (303-866-4777)

TITLE: CONCERNING CONTINUATION OF THE DIVISION OF BANKING, AND, IN CONNECTION THEREWITH, IMPLEMENTING THE RECOMMENDATIONS OF THE 2012 SUNSET REPORT BY THE DEPARTMENT OF REGULATORY AGENCIES.

Fiscal Impact Summary	FY 2013-2014	FY 2014-2015
State Revenue Cash Funds Division of Banking Cash Fund		$4.4 million
State Expenditures Cash Funds Division of Banking Cash Fund		$4.4 million
FTE Position Change		40.0 FTE
Effective Date: July 1, 2013.		
Appropriation Summary for FY 2013-2014: None required.		
Local Government Impact: None.		

Summary of Legislation

The bill continues the Division of Banking in the Department of Regulatory Agencies (DORA) through September 1, 2024, and implements the recommendations of the DORA sunset report concerning modifications to banking regulation in the state. Changes under the bill include:

- repealing the regulation of industrial banks;
- extending the time that the banking board has to approve or disapprove a merger agreement between banks from 30 days to 60 days;
- repealing the authority for, and regulation of, private family trust companies;
- allowing interstate banks to establish a branch in Colorado by either the creation of a new financial institution or through the acquisition of an existing financial institution;
- requiring banks exercising trust powers to invest fiduciary funds within a reasonable period of time; and
- requiring directors of trust companies to have fidelity bonds for their officers and employees, to carry hazard insurance, and to annually specify the amount of these bonds and insurance in the board's minutes.

Background

The Division of Banking is responsible for regulating state-chartered commercial and industrial banks, as well as trust companies. The purpose of state banking regulation is to protect consumers and businesses, and the Division of Banking conducts examinations of banks to ensure financial soundness. As of 2011, 76 state-chartered banks and 8 trust companies were regulated by the Division of Banking. No industrial banks are currently chartered in the state.

Fiscal Impact of Programs Set to Expire

This bill continues a program in the DORA that is set to repeal, effective July 1, 2013. Under current law, state agencies may be appropriated funds to wind up the affairs of an expiring program for 12 months following the repeal date. To account for the wind-up period, the impact of extending the program beyond the current repeal date is shown as beginning in FY 2014-15, one year after the repeal date. There is no need for an appropriation of base funding for the Division of Banking in FY 2013-14, as the program's authorization has not yet expired, and ongoing funding for the division is included in the DORA's base budget request for FY 2013-14.

State Revenue

By continuing the Division of Banking, revenue to the Division of Banking Cash Fund will increase by **$4.4 million in FY 2014-15** from assessments and fines paid by regulated banks and trusts. This revenue is based on the current level of revenue to the cash fund.

State Expenditures

The Division of Banking will require about **$4.4 million and 40.0 FTE in FY 2014-15** to continue the regulation of state-chartered banks and trusts. These costs represent the continuation of existing funding only; no additional costs are expected from the modifications to banking regulations included in the bill.

Departments Contacted

Regulatory Agencies