

State Expenditures

The bill is expected to increase annual expenditures in the Division of Securities (division) in the Department of Regulatory Agencies (DORA) by **\$27,219 starting in FY 2015-16**, and to minimally increase workload in the Judicial Department.

Division of Securities—DORA. Because the bill increases the legal threshold for appointing receivers, the division will require additional legal services starting in FY 2015-16 for cases involving securities fraud. The division requests court-appointed receivers in order to obtain restitution for defrauded parties where there are significant assets (approximately \$1 million) remaining; typically three to four cases per year. Increased legal costs to the division result from the following factors:

- The higher standard of proof to appoint a receiver will require additional preparation.
- The one month deadline may preempt other legal actions in the division.
- If a trial court fails to rule on a complaint or a motion related to a receiver within the one month deadline, the division must refile a motion or pursue other legal action.

The division currently utilizes 480 hours of legal services annually for securities fraud cases requiring a receiver. This bill is expected to increase these costs by 60 percent; therefore, 288 hours of legal services from the Department of Law will be required at an hourly rate of \$94.51 starting in FY 2015-16.

In addition, because the bill exposes receivers to civil liability, the division may have difficulty finding a private attorney willing to act as a receiver in a securities fraud case. If that condition occurs, the division may require a staffing increase and additional legal services in order to administer receiverships in-house. Because this is an indirect impact of the bill, it is expected that these expenditures, if incurred, will be addressed during the annual budget process.

Judicial Department. The bill is expected to minimally increase workload in the Judicial Department due to the higher burden of proof on parties seeking appointment of a receiver and their ability to make appeals under the bill. It is assumed that additional hearing time related to receivers can be accomplished within existing Judicial Department workloads, and no additional appropriations are required.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature. It applies to all receiverships, regardless of whether the appointment took place before, on, or after the bill's effective date.

State Appropriation

In FY 2015-16, the DORA requires a cash fund appropriation of \$27,219 from the Division of Securities Cash Fund. The Department of Law requires spending authority for \$27,219 in reappropriated funds.

State and Local Government Contacts

Judicial
Local Affairs
State Auditor

Regulatory Agencies
Personnel and Administration
State

Revenue
Law