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HOUSE COMMITTEE ON COMMERCE  
AND ECONOMIC DEVELOPMENT

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**MEMORANDUM**

To: Rep. Janet Ancel, Chair  
House Committee on Ways and Means

From: Rep. Bill Botzow, Chair  
House Committee on Commerce and Economic  
Development

Date: February 4, 2016

Subject: Committee Review of Fee Bill Provisions

On behalf of the Committee on Commerce and Economic Development, thank you for the opportunity to review and comment on the Administration's proposals relating to Commerce in the FY 2017 Fee Bill, including:

1. Secs. 31–34: The creation of a license for a “Business entity limited lines producer” and an associated fee of \$150.00.
2. Sec. 35: An increase in the initial notice filing fee and the annual renewal fee paid by investment companies subject to 15 U.S.C. § 80a-1 et seq. (issuers of mutual funds) from \$600.00 to \$1,200.00.
3. A proposal to appropriate a portion of the additional revenue generated by the fee increase for issuers of mutual funds to the Vermont Universal Children's Savings Account Program created in Act 45 of 2015.

In reviewing these proposals, the Committee heard testimony from: Susan Donegan, Commissioner of the Department of Financial Regulation; Chuck Storrow, an advocate for businesses affected by the business entity limited lines producer license; and Shana Trombley, a member of the Governor's staff and a member of the Vermont Universal Children's Savings Account Program Fund Advisory Committee.

**1. Secs. 31–34: The creation of a license for a “Business entity limited lines producer” and an associated fee of \$150.00.**

The Committee finds that this new license would improve efficiencies for the businesses that offer insurance coverage within certain limited lines, such as travel or auto rental insurance, and would also improve regulatory efficiencies within the Department. The Committee supports the creation of this license and the associated fee.

**2. Sec. 35: An increase in the initial notice filing fee and the annual renewal fee paid by investment companies subject to 15 U.S.C. § 80a-1 et seq. (issuers of mutual funds) from \$600.00 to \$1,200.00.**

The Committee finds that the increase in the mutual fund filing fee and renewal fee is reasonable and allows Vermont to generate needed revenue while remaining competitive with its neighbors in New England. The Committee supports the fee increase as proposed.

However, the Committee also finds that these fees are not reflective of the regulatory costs the State incurs, as contemplated in 32 V.S.A. § 602(2)(A). The federal Securities and Exchange Commission performs the bulk of the “front-end” regulatory review and approval, whereas the State’s role is limited to addressing anti-fraudulent activity and consumer protection issues. The Committee therefore takes exception to the characterization of the charges that companies pay for licensure as “fees” for regulatory services.

The Committee respectfully requests that the Committee on Ways and Means consider a statutory alternative to this characterization—which may include characterizing these charges as taxes, or alternatively, adding these charges to the list of charges in 32 V.S.A. § 602(2)(B) that are exempt from the subchapter governing the Fee Bill process.

**3. A proposal to appropriate a portion of the additional revenue generated by the fee increase for issuers of mutual funds to the Vermont Universal Children’s Savings Account Program created in Act 45 of 2015.**

The Committee does not take a position on the substance or merit of the Vermont Universal Children’s Savings Account Program. The Committee does not support a proposal to directly link the increase in fees for mutual funds to any expenditure for that Program, and takes the position that such a proposal should go through the regular appropriations process as with all other proposed State expenditures.