

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
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**FISCAL IMPACT STATEMENT**

**LS 6756**

**BILL NUMBER: HB 1326**

**DATE PREPARED:** Feb 25, 2000

**BILL AMENDED:** Feb 24, 2000

**SUBJECT:** Secured Transactions

**FISCAL ANALYST:** Susan Preble

**PHONE NUMBER:** 232-9867

**FUNDS AFFECTED: X GENERAL  
DEDICATED  
FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** (Amended) This bill adopts a revised Article 9 of the Uniform Commercial Code concerning secured transactions. It also makes conforming amendments.

**Effective Date:** July 1, 2001.

**Explanation of State Expenditures:** (Revised) A secured transaction is intended to create a security interest in personal property or fixtures, including goods, documents and other intangibles. Article 9 of the UCC covers all such property except for real estate.

This bill requires a centralized system for all UCC filings after July 1, 2002. Currently, Indiana has a dual filing system. Some UCC filings are made with the county recorder's office and some are made with the Secretary of State's Office. This proposal would eliminate local UCC filings after July 1, 2002 and require that all UCC filings be made with the Secretary of State's Office. Any increased burden on the Secretary of State's Office can be offset by the ability to charge filing fees. The cost of centralized filing depends on the number of filings that currently filed in county recorders' offices. The total number of local filings is unknown at this time. However, the Secretary of State's Office reports that in 1999, approximately 3,500 filings were made in St. Joseph County, 2,128 filings were made in White County, and 1,370 filings were made in Daviess County.

The Secretary of State's Office processes 350-450 UCC filings per business day. Processing is done by four full-time clerks and one part-time clerk. The Office reports that UCC filings have increased in the past several years due to the growing economy. The need for any additional staff will be contingent upon the number of extra filings that are currently being processed at the county level.

The Secretary of State's Office is computerizing the UCC Division, which will allow the 500,000 filings currently indexed to be added to an electronic database. If this computerization process is not completed by

the bill's effective date, and the Office is still utilizing a paper-based system, more physical space may be needed to house the additional filings. Depending on the number of additional filings the Office would receive, additional lektrievers may be needed. Lektrievers are large electric file cabinets that turn trays of filings vertically and cost approximately \$30,000 each. Three lektrievers house the 500,000 filings currently indexed by the Office.

The funds and resources required above could be supplied through a variety of sources, including the following: (1) Existing staff and resources not currently being used to capacity; (2) Existing staff and resources currently being used in another program; (3) Authorized, but vacant, staff positions, including those positions that would need to be reclassified; (4) Funds that, otherwise, would be reverted; or (5) New appropriations.

The Secretary of State's Office generated approximately \$11M in fee revenue in FY 1999. Approximately \$2M is appropriated for the Secretary of State's Office for the 1999-2000 and 2000-2001 budget years. The difference between the revenue generated and the Office's budget is deposited in the State General Fund. The Office reverted \$199,297 in FY 1999.

Of the 86 authorized positions in the Secretary of State's Office, 27 are vacant. The vacant positions are as follows: 3 attorneys, 1 field auditor, 1 systems analyst, 1 computer operator, 1 information specialist, 1 administrative assistant, 1 clerical supervisor, and 18 clerical assistants. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend upon legislative and administrative actions.

This bill may result in long term efficiencies because in addition to providing for centralized filing, it also facilitates electronic filing. In addition, the resulting uniformity may promote interstate commerce because it will be simpler for businesses to file in one centralized place.

This bill maintains the fact that currently, the Secretary of State's Office is not responsible for the contents of UCC filings, has no obligation to review UCC filings, and incurs no liability as a result.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** Due to the elimination of the local UCC filing system and the fees that are assessed on filings by county recorders, this bill will result in a decrease in local revenue. The amount of revenue generated from UCC filing fees is unknown.

**State Agencies Affected:** Office of the Secretary of State

**Local Agencies Affected:** County recorders

**Information Sources:** John McCabe, National Conference of Commissioners on Uniform State Laws, (312) 915-5976; Todd Rokita, Office of the Secretary of State, (317) 232-6541; Marion County Recorder's Office (317) 327-4020; Department of Personnel Staffing Report, run date of January 11, 2000.