

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0723-01
Bill No.: SB 187
Subject: Consumer Protection; Banks and Financial Institutions; Business and Commerce;
 Licenses - Miscellaneous
Type: Original
Date: January 26, 2015

Bill Summary: This proposal amends laws relating to small loans.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Small Loan Community Reinvestment*	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

*Total Revenue and Expenses net to zero.
 Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the State Courts Administrator** assume the current proposal would not fiscally impact their agency.

Officials from the **Attorney General's Office** assume that any potential costs arising from this proposal can be absorbed with existing resources.

Section 361.650

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** state that this section creates the "Small Loan Community Reinvestment Program" and the "Small Loan Community Reinvestment Fund" which the department is required to administer.

It is unknown how many loans will be made each year requiring the small loan lenders to deposit the surcharge of \$1.00 for each loan. It is also unknown how many grant applications will be received, reviewed or granted each year so program costs are not able to be determined as this time. However, it is anticipated that the income and costs to the fund should net to zero.

The Division of Finance would need to establish a program to monitor the real-time statewide compliance with the provisions of this section. The division would issue a Request for Proposal (RFP) to bid out this purchase to find a vendor to establish the program. Other states are currently using contracted vendors for this work and there is no charge to the state as the vendors typically charge the small loan lenders a fee to collect the costs associated with the system. The division believes it can administer the costs of a potential contract and program within the revenue deposited into the fund, however if the costs are greater than anticipated the department would need to request additional appropriation and funding through the budget and legislative process.

Section 408.500

Officials from the DIFP state that this section changes laws relating to unsecured loans of five hundred dollars or less.

This section of the bill is not anticipated to have a fiscal impact to the department. If the adoption of the bill results in a reduction of fee revenue from affected entities, the department

ASSUMPTION (continued)

anticipates it would expend a correspondingly smaller amount to regulate these entities.

According to a report dated February 2013 from the Department of Insurance, Financial Institutions and Professional Registration to the Governor (Re: Report to General Assembly pursuant to section 408.506, RSMo) there were approximately 2.34 million total payday loans made during the report period (October 1, 2011 through September 30, 2012). **Oversight** assumes that if these loans each qualify as the described title loan in the proposal, there would be increased total state revenue of 2.34 million loans x \$1 per loan = \$2.34 million, annually.

This proposal could increase total state revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
SMALL LOAN COMMUNITY REINVESTMENT FUND			
<u>Revenue</u> - Surcharge Income from Small Loan Lenders (DIFP)	Unknown	Unknown	Unknown
<u>Expenses</u> - Program Costs (DIFP)	(Unknown)	(Unknown)	(Unknown)
<u>Expenses</u> - Grant Awards (DIFP)	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON SMALL LOAN COMMUNITY REINVESTMENT FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small loan lenders will be required to comply with the requirements of the, "Small Loan Community Reinvestment Program." In addition, certain loans will have their fees reduced based on payment activity, potentially reducing their small business income.

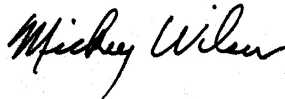
FISCAL DESCRIPTION

The proposed legislation appears to have no direct fiscal impact.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the State Courts Administrator
Attorney General's Office
Department of Insurance, Financial Institutions and Professional Registration



Mickey Wilson, CPA
Director
January 26, 2015

Ross Strope
Assistant Director
January 26, 2015