

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2016-17		FY 2017-18	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS	130,863	270,000	123,863	270,000
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	130,863	270,000	123,863	270,000

Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.

LB1036 amends various provisions contained in the Delayed Deposit Services Licensing Act, Nebraska Installment Loan Act, and Credit Services Act. The Department of Banking and Finance indicates that these changes will significantly impact its examination procedures and time required to complete examinations of delayed deposit services businesses if LB1036 were to be enacted. The Department indicates that new or enhanced examination procedures for delayed deposit services businesses would need to be implemented including processes relating to review of loans, time value payment calculations, time indexed fees, appropriate ledger entries based on unearned interest and fees as well as related disclosures, and testing for appropriate allocation of booked fees and interest relating to loan prepayments. The agency estimates that additional related workload will necessitate the addition of 2.0 FTE Examiner I positions to its staff with accompanying non-personnel costs:

	<u>Cash Funds</u>	
	<u>2016-17</u>	<u>2017-18</u>
Salaries (2 FTE)	86,510	86,510
Benefits	25,953	25,953
Subtotal staff	112,463	112,463
Operating & travel	11,400	11,400
Capital outlay	7,000	0
	<u>130,863</u>	<u>123,863</u>

Additionally, on the basis of the current volume of existing related licensees (91 main offices and 49 branches) and the existing delayed deposit services business examination billing rate of \$125 per hour, the Department estimates additional cash fund revenue for each of 2016-17 and 2017-18 at \$270,000 annually.

The Department's estimates of cash fund costs and revenue appear generally reasonable. Provisions of LB1036 are to become operative January 1, 2017. Enhanced examination procedures relating to delayed deposit services businesses would not commence until after that date. The Department indicates that while this would be the case, it would be necessary to recruit and hire individuals to fill the 2.0 FTE new examiner positions in order to initiate training of the new personnel as early in the fiscal year as possible. Actual expenditures incurred for the new hires will ultimately depend on the timing of the employment of these new personnel.

The Department also notes a prospect of LB1036 may be that some level of existing delayed deposit services licensees may elect to exit the market in response to provisions of LB1036 if enacted. Should that occur, estimated cash fund expenses as well as revenue would decline. However, the extent of any such impact would appear to be uncertain.

<u>ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES</u>			
LB: 1036	AM:	AGENCY/POLT. SUB: Department of Banking & Finance	
REVIEWED BY: Robin Kilgore		DATE: 1-29-16	PHONE: 471-4180
COMMENTS: No basis to disagree with agency estimate of fiscal impact.			

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2016

LB⁽¹⁾ 1036

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾

Department of Banking & Finance

Prepared by: ⁽³⁾ Margo Sawyer

Date Prepared: ⁽⁴⁾ 1/28/16

Phone: ⁽⁵⁾ 471-4954

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2016-17</u>		<u>FY 2017-18</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS				
CASH FUNDS	130,863	270,000	123,863	270,000
FEDERAL FUNDS				
.oOTHER FUNDS				
TOTAL FUNDS	<u>130,863</u>	<u>270,000</u>	<u>123,863</u>	<u>270,000</u>

Explanation of Estimate:

The revenue and expense estimates are based upon current volume of licenses (91 main offices plus 49 branches) and related Department examinations. The Department's delayed deposit examinations are billed at \$125 per hour of examiner time. Examination procedures and time required to complete an examination will significantly change if LB1036 is adopted. New examination procedures will include loan review, time value payment calculations, time indexed fees, appropriate ledger entries based upon unearned interest and unearned fees and related disclosures. Loan prepayments will require testing for the appropriate allocation of booked fees and interest.

Similar legislative changes in Oregon resulted in 75% of licensees exiting the system. In the event that would occur in Nebraska, the estimated revenue would decline 75% and expenses would decrease by 1 examiner.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2016-17</u>	<u>2017-18</u>
	<u>16-17</u>	<u>17-18</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Examiner I	2	2	86,510	86,510
Benefits.....			25,953	25,953
Operating.....			6,400	6,400
Travel.....			5,000	5,000
Capital outlay.....			7,000	
Aid.....				
Capital improvements.....				
TOTAL.....			<u>130,863</u>	<u>123,863</u>