

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2009-10		FY 2010-11	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS	See below	See below	See below	See below
FEDERAL FUNDS				
OTHER FUNDS	See below	See below	See below	See below
TOTAL FUNDS	See below	See below	See below	See below

*Does not include any impact on political subdivisions. See narrative for political subdivision estimates.

LB293 outright repeals provisions of current law that comprise the Delayed Deposit Services Act. The Act is administered by the Department of Banking and Finance. The bill would also adopt the Short-Term Lenders Act and would assign related administrative authority and responsibility to the Department.

Under provisions of the bill, the Department is to develop and implement an Internet-based statewide common database to be used in determining borrower eligibility for short-term loans under provisions of the Short-Term Lenders Act. The Department is to adopt rules to administer and enforce utilization of the database by short-term lenders licensed under provisions of the act. The Department is authorized to operate the required database or to contract with a third party vendor to provide the required database services. LB293 authorizes transactional fees to be imposed by a database operator to recover actual costs of entering, accessing, and maintaining data in the database. Such fees are to be payable to the data base operator. For purposes of this fiscal note, direct costs of maintaining the required database are assumed to be met by the authorized transactional fees imposed and collected from short-term lender licensees by a contracted third party vendor. It is assumed that related fee revenue would not accrue to the Department, but directly to the third party vendor. It is assumed similarly that operational expenditures relating to the database would represent expenditures of the vendor and not of the Department.

LB293 requires the Department of Banking and Finance to license and regulate short-term lenders. The bill requires the Department to conduct criminal history checks of short-term lender license applicants. Short-term lender license applicants are to be responsible for the direct costs associated with criminal history record information checks performed. The Department is also required to conduct a civil history records information check with respect to short-term lender license applicants. Additionally, the Department is to investigate violations of the Short-Term Lenders Act, hold administrative hearings, suspend or revoke licenses as directed under the act, and impose administrative fines for violations of the act.

The bill requires the Department to at least annually examine the records of licensed short-term lenders. However, the bill apparently does not authorize assessment of examination charges to licensed short-term lenders. Related examination charges are authorized by law for other financial institutions subject to Department of Banking and Finance regulation. Examination fees assessed under the Delayed Deposit Services Act for 2007-08 amounted to \$154,296 and are estimated by the Department at \$182,500 for 2008-09.

At the time of making an application for an original short-term lender license, LB 293 requires applicants to pay a \$200 investigation fee. For 2007-08, 139 entities were licensed to conduct business under provisions of the Delayed Deposit Services Act. Considering the limitations on short-term loans proposed under provisions of LB293, the Department of Banking and Finance estimates 50 original licenses to be issued (\$10,000 investigation fee revenue) under provisions of the Short-Term Lenders Act for 2009-10 with 10 original licenses issued (\$2,000 investigation fee revenue) for 2010-11 and years thereafter. LB293 requires that applications for an original or renewal short-term lender license are to be accompanied by an original or renewal license fee of \$5,000. Assuming renewal of licenses required annually, the Department estimates related fee revenue from 50 license applicants for 2009-10 at \$250,000 and 45 renewal license applicants for 2010-11 and future years at \$225,000. The Department estimates 10 licenses issued to new license applicants for 2010-11 and future years with related annual fee revenue estimated at \$50,000. In summary, the Department estimates fee revenue under provisions of LB293 to approximate \$260,000 for 2009-10 and \$277,000 for 2010-11.

LB293 creates the Financial Institution Literacy Fund. Fees paid to the Department of Banking and Finance under provisions of the Short-Term Lenders Act are to be credited to the Fund (see estimate of fee revenue above). Additionally, the bill provides that the fund is to “consist of funds appropriated to it by the Legislature.” LB293 further provides that the initial appropriation to the fund is to be \$250,000. It is uncertain as to the intent of this provision insofar that the source of funds for the appropriation(s) to the Financial Institution Literacy Fund is not identified in LB293. It is uncertain as to whether a transfer of \$250,000 from some other undesignated source is effectively intended to be credited to the Financial Institution Literacy Fund in addition to fee revenue to be credited to the fund under provisions of the Short-Term Lender Act or whether the provision effectively intends that appropriations from the fund initially be established at \$250,000. Expenditures from the fund are apparently limited to expenditures to support various adult financial literacy education programs to be developed or implemented by the Department of Banking and Finance.

As indicated above, fees authorized to be assessed by the Department of Banking and Finance under provisions of the Short-Term Lenders Act are to be credited to the Financial Literacy Education Fund as provided under LB293. Expenditures from the fund apparently are to be limited to support various adult financial literacy education programs as noted above. Given this limitation, it is uncertain as to the source of funds that will support the Department’s regulatory responsibilities under provisions of the Act, i.e. civil history checks, investigation of violations of the Act, administrative hearings, suspension and revocation of licenses, imposition of fines, and examination of the records of each licensee at least annually. Expenditures by the Department relating to its regulation of the delayed deposit services industry for 2007-08 totaled \$281,096. For the first six months of 2008-09, related expenditures amounted to \$157,764. Annualizing this expenditure level, the Department estimates expenditures for its delayed deposit services industry regulatory activities to approximate \$315,600 for 2008-09. In addition to regulatory activity costs, the Department notes that non-recurring costs would be incurred in 2009-10 to establish the Internet-based statewide common database to be operated by a third party vendor. No estimate of related database start-up costs is currently available.

DEPARTMENT OF ADMINISTRATIVE SERVICES

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COMMENTS					
BANKING AND FINANCE – Agency's estimate of impact appears to be reasonable.					