

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	57,000	126,875	54,392	0
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	57,000	126,875	54,392	0

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

LB431 establishes limitations with respect to delayed deposit transactions that may be entered into by consumers under the Delayed Deposit Services Act. The bill requires creation of a database to facilitate compliance by licensees with provisions of the act. The database is to be implemented by January 1, 2011. The bill also authorizes the Department of Banking and Finance to contract with a third-party provider for the development, implementation, and maintenance of the data base.

Under provisions of LB431, the Department of Banking and Finance is authorized to impose a one-time fee of \$100 for each delayed deposit services license and branch application. Based upon an assumption of assessing 175 of these fees, the Department estimates generation of related one-time cash fund revenue of \$17,500.

LB431 also authorizes the Department to impose a data base verification fee of not more than \$1.00 per transaction for data required to be submitted by delayed deposit services licensees. The fee is to support actual costs of entering, accessing, and verifying data in the data base to facilitate compliance with delayed deposit transaction limitations as provided by the bill. The Department's estimates assume that the related fee would be applied exclusively to the cost of contracting with a third-party provider to implement, operate and maintain the required database. The rate of the fee would be dependent upon the level of fees to be charged by the third-party to be selected through a competitive bid process. The Department's estimates effectively assume that related fees would be assessed on a transactional basis and would be remitted by delayed deposit services licensees directly to the third-party vendor. The Department's estimates effectively presume, given limitations on the use of this fee, that no amounts from the fee would accrue to the agency to support other regulatory duties and responsibilities assigned to the Department under the Delayed Deposit Services Act.

In addition to the authorized ongoing fee of up \$1.00 per transaction to support implementation, operation and maintenance of the database; LB431 authorizes an additional fee of 50¢ per transaction for the first 12 months that the required database is operational. The Department of Banking indicates uncertainty in terms of estimating the number of transactions that may be subject to such a fee during this 12-month period. Based on an assumption of 175 locations averaging 5 transactions subject to the fee each day over the course of an assumed 250 business days during the 12-month period, the Department estimates \$109,375 of additional cash fund revenue could accrue to the agency as the result of such a fee. Amounts generated by the fee are authorized to be used to defray costs of establishing the database required by LB431.

The Department indicates uncertainty with respect to an estimate of one-time costs associated with start-up of the proposed database. The agency indicates that revenue from one-time fees described above would be first applied to such costs. The agency estimates an additional delayed deposit services examiner position to be required for activities associated with implementation of the database required by the LB431; to monitor compliance with the Delayed Deposit Services Act as amended by the bill; to pursue non-compliance issues; and, to analyze database information and compile an annual report as required under provisions of the bill as well as other operational reports as necessary. Costs associated with the position are estimated by the Department at \$57,000 including nominal one-time outlays for 2009-10 and \$54,392 for 2010-11.

The Department of Banking and Finance estimates with respect to the fiscal impact of LB431 generally appear to be reasonable. Note again, however, that ongoing transactional fees authorized to support ongoing operation and maintenance of the delayed deposit services database are assumed to be paid by licensees directly to a third-party vendor and not to the Department of Banking and Finance for subsequent payment to such a vendor. The latter scenario would entail significantly greater cash fund revenue accruing to the agency with corresponding cash fund expenditures for payments to a vendor for database services provided. Additionally, it should be noted that revenue estimated to accrue to the Department from one-time fees authorized under the bill may be sufficient to meet costs estimated to be incurred by the agency for 2009-10 and 2010-11; however, it is unclear as to how continuing costs with respect to the agency's administration of the database will be accommodated upon depletion of this one-time source of revenue.

DEPARTMENT OF ADMINISTRATIVE SERVICES

REVIEWED BY	Gary Bush	DATE	2/19/09	PHONE	471-2526
COMMENTS					
BANKING AND FINANCE: Impact appears to be reasonable.					