

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0530S.02C
Bill No.: SCS for SB 13
Subject: Banks and Financial Institutions; Credit Unions; Commerce and Insurance,
Department of
Type: Original
Date: February 10, 2023

Bill Summary: This proposal modifies provisions relating to financial institutions.

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|--|----------------|----------------|----------------|
| FUND AFFECTED | FY 2024 | FY 2025 | FY 2026 |
| | | | |
| | | | |
| Total Estimated Net Effect on General Revenue | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|---|-----------------|------------------|------------------|
| FUND AFFECTED | FY 2024 | FY 2025 | FY 2026 |
| Division of Finance Fund (0550) | \$77,800 | \$221,400 | \$221,400 |
| | | | |
| Total Estimated Net Effect on <u>Other State Funds</u> | \$77,800 | \$221,400 | \$221,400 |

Numbers within parentheses: () indicate costs or losses.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2024 | FY 2025 | FY 2026 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE) | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2024 | FY 2025 | FY 2026 |
| | | | |
| | | | |
| Total Estimated Net Effect on FTE | 0 | 0 | 0 |

- Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

| ESTIMATED NET EFFECT ON LOCAL FUNDS | | | |
|--|----------------|----------------|----------------|
| FUND AFFECTED | FY 2024 | FY 2025 | FY 2026 |
| | | | |
| Local Government | \$0 | \$0 | \$0 |

FISCAL ANALYSIS

ASSUMPTION

§§361.020 - 408.500 – Division of Finance Provisions

Officials from the **Department of Commerce and Insurance (DCI)** state the changes to 361.715.2 and 361.715.3 increase the annual license fee and amended license fee for the sale of checks/money transmitters by \$100 per license or amended license. The license year for these lenders runs from April 15 through April 14; therefore, DOF anticipates an increase in revenue of \$18,700 beginning with licenses and amended licenses issued on or after April 15, 2024. This revenue would be deposited into the Division of Finance Fund.

The change to 364.030.3 increases the annual license fee for financing companies by \$100 per license. The license year for these lenders runs from January 1 through December 31; therefore, DOF anticipates an increase in revenue of \$6,300 beginning with licenses issued on or after January 1, 2024. Though the statute states the fees collected would be deposited into the general revenue fund, pursuant to 361.170.4 RSMo., which supersedes this older section, all consumer licensing fees are credited to the Division of Finance Fund and have been since 1991 as would the increase in these annual licensing fees.

The change to 364.105.2 increases the annual license fee for premium financing companies by \$100 per license. The license year for these lenders runs from July 1 through June 30; therefore, DOF anticipates an increase in revenue of \$5,200 beginning with licenses issued on or after July 1, 2024. This revenue would be deposited into the Division of Finance Fund.

The change to 365.030.3 increases the annual license fee for motor vehicle financing companies by \$100 per license. The license year for these lenders runs from January 1 through December 31; therefore, DOF anticipates an increase in revenue of \$17,400 beginning with licenses issued on or after January 1, 2024. This revenue would be deposited into the Division of Finance Fund.

The change to 367.140.1 increases the annual license fee for small loan and consumer installment lenders by \$100 per license. The license year for these lenders runs from July 1 through June 30; therefore, DOF anticipates an increase in revenue of \$131,500 beginning with licenses issued on or after July 1, 2024. This revenue would be deposited into the Division of Finance Fund.

The change to 407.640.5 increases the annual license fee for credit service organizations by \$100 per license. The license year for these lenders runs from July 1 through June 30; therefore, DOF anticipates an increase in revenue of \$6,900 beginning with licenses issued on or after July 1, 2024. This revenue would be deposited into the Division of Finance Fund.

The change to 408.500.1 increases the annual license fee for pay day lenders by \$100 per license.

The license year for these lenders runs from January 1 through December 31; therefore, DOF anticipates an increase in revenue of \$35,400 beginning with licenses issued on or after January 1, 2024. This revenue would be deposited into the Division of Finance Fund.

For the purposes of this estimate, DOF assumes the number of each of these types of lenders will remain flat in the next three years. Listed below are the projected number of licenses and amendments for each type of lender and the amount of revenue each is expected to generate based on these fee changes.

CONSUMER LICENSE LENDERS BY TYPE WITH PROJECTED REVENUE

| RSMo. | Type of License | ACTUAL LICENSES | | | PROJECTED LICENSES | | | | License Year Start Date | ESTIMATED REVENUE | | |
|-----------|-----------------------------------|-----------------|---------|---------|--------------------|---------|---------|---------|-------------------------|-------------------|-----------|-----------|
| | | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 | FY 2025 | FY 2026 | | FY 2024 | FY 2025 | FY 2026 |
| 361.715.2 | Sale of Checks/Money Transmitters | 162 | 176 | 182 | 182 | 182 | 182 | 182 | April 15 | \$18,200 | \$18,200 | \$18,200 |
| 361.715.3 | Amended Sale of Checks | 7 | 10 | 5 | 5 | 5 | 5 | 5 | | \$500 | \$500 | \$500 |
| 364.030.3 | Financing Company | 86 | 60 | 63 | 63 | 63 | 63 | 63 | January 1 | \$6,300 | \$6,300 | \$6,300 |
| 364.105.2 | Premium Financing Company | 53 | 53 | 53 | 53 | 53 | 52 | 52 | July 1 | | \$5,200 | \$5,200 |
| 365.030.3 | Motor Vehicle Finance Company | 170 | 185 | 191 | 174 | 174 | 174 | 174 | January 1 | \$17,400 | \$17,400 | \$17,400 |
| 367.140.1 | Small Loans | 398 | 434 | 425 | 425 | 425 | 425 | 425 | July 1 | | \$42,500 | \$42,500 |
| 367.140.1 | Consumer Installment Loans | 927 | 917 | 890 | 890 | 890 | 890 | 890 | July 1 | | \$89,000 | \$89,000 |
| 407.640.5 | Credit Service Organizations | 48 | 51 | 69 | 69 | 69 | 69 | 69 | July 1 | | \$6,900 | \$6,900 |
| 408.500.1 | Pay Day Loans | 567 | 421 | 354 | 354 | 354 | 354 | 354 | January 1 | \$35,400 | \$35,400 | \$35,400 |
| Total | | 2,418 | 2,307 | 2,232 | 2,215 | 2,215 | 2,214 | 2,214 | | \$77,800 | \$221,400 | \$221,400 |

Oversight does not have any information to the contrary. Therefore, Oversight will reflect the estimated revenue by DCI generated by proposal to the Division of Finance Fund (0550).

Officials from the **Department of Public Safety - Missouri Highway Patrol**, the **Office of the State Public Defender** and the **Missouri Office of Prosecution Services** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

In response to a previous version, officials from the **Office of the State Courts Administrator** assumed the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for OSCA.

Rule Promulgation

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

In response to a previous version, officials from the **Office of the Secretary of State (SOS)** noted many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$5,000. The SOS recognizes that this is a small amount and does not expect that additional

funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with its core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

| <u>FISCAL IMPACT – State Government</u> | FY 2024 (10 Mo.) | FY 2025 | FY 2026 |
|---|------------------------|-------------------------|-------------------------|
| DIVISION OF FINANCE FUND (0550) | | | |
| <u>Revenue – DCI</u> Increase in annual license fees §§361.020 - 408.500 p. 3-4 | <u>\$77,800</u> | <u>\$221,400</u> | <u>\$221,400</u> |
| ESTIMATED NET EFFECT TO THE DIVISION OF FINANCE FUND | <u>\$77,800</u> | <u>\$221,400</u> | <u>\$221,400</u> |

| <u>FISCAL IMPACT – Local Government</u> | FY 2024 (10 Mo.) | FY 2025 | FY 2026 |
|---|---------------------|-------------------|-------------------|
| | | | |
| | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

FISCAL IMPACT – Small Business

This proposal would increase the cost of licenses for certain lenders annually. An impact to small credit card lenders could be expected as a result of this proposal.

FISCAL DESCRIPTION

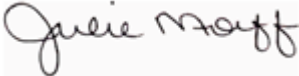
The proposed legislation modifies certain fees collected by the Division of Finance.

Under current law, lenders issuing credit cards in Missouri are permitted to contract for, charge and collect fees for credit cards that are allowed in a contiguous state. This act modifies that provision by enabling issuance of credit cards under the same terms and conditions that are allowed in a contiguous state, rather than limiting the provision to only fees.


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

Department of Commerce and Insurance
Department of Public Safety
 Missouri Highway Patrol
Office of the Secretary of State
Office of the State Public Defender
Joint Committee on Administrative Rules
Missouri Office of Prosecution Services



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February 10, 2023



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February 10, 2023