

**FISCAL NOTE**  
**LEGISLATIVE FISCAL ANALYST ESTIMATE**

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES</b> (See narrative for political subdivision estimates)				
	<b>FY 2017-18</b>		<b>FY 2018-19</b>	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS	See below	See below	See below	See below
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	See below	See below	See below	See below

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

LB194 would amend the Delayed Deposit Services Act, Nebraska Installment Loan Act, and Credit Services Act. In general terms, the provisions of the bill would significantly increase the level and extent of statutory provisions with which Nebraska delayed deposit services (DDS) licensees would be required to comply in order to retain licensure to operate in the state. Again, in general terms, the Department of Banking and Finance estimates the impact of the bill to result in a marked decline in the number of DDS licensees. As compared to current levels, the Department estimates the provisions of the bill would result in a 25% decline for each of 2017-18 and 2018-19 in the number of annual DDS license (currently, 82 licenses) renewals and annual DDS branch license (currently, 46 licenses) renewals. While not explicitly stated in its fiscal note related to LB194, the Department indicated, in response to a request for clarification, that its estimate of declines in license renewals would be in response to the bill's proposed increases in the level and extent of statutory provisions with which DDS licensees would be required to comply.

DDS licenses are required to be renewed annually at a fee of \$500. Of this amount, \$150 accrues to the Financial Institutions Assessment Cash Fund (Department of Banking and Finance) and \$350 accrues to the Financial Literacy Cash Fund (University of Nebraska). DDS branch licenses are required to be renewed annually at a fee of \$500 as well. Of this amount, \$100 accrues to the Financial Institutions Assessment Cash Fund and \$400 accrues to the Financial Literacy Cash Fund.

The Department of Banking and Finance effectively estimates the following LB194 impact in terms of cash fund revenue derived from DDS license fees:

	<u>Financial Literacy Cash Fund</u>	<u>Financial Institutions Assessment Cash Fund</u>
Current DDS license fee revenue level:	47,100	16,900
2017-18 estimated 25% revenue decline vs. current level:	- 11,775	- 4,225
2018-19 estimated 25% (50% cumulative) revenue decline vs. current level	- 23,550	-8,450

In relative terms, the estimated revenue declines are substantial. Ultimately, declines in related cash fund revenue will be dependent upon the reaction of current DDS licensees to heightened statutory provisions of LB194 with which they would be required to comply in order to retain licensure.

While not specifically addressed by the Department of Banking and Finance, provisions of LB194 would appear to represent implications relating to financial institution (i.e. DDS licensees) examination processes. It would appear that provisions of LB194 would require increased examination work effort in terms of compliance matters as they relate to LB194 provisions. Related increases in Department of Banking and Finance personnel costs would presumably be offset by fees assessed for billed examination hours. Increases related to individual DDS licensee examinations apparently would be offset to some extent by a reduction in the number of DDS licensees subject to examination if Department of Banking and Finance estimates in this regard are realized.

ADMINSTRATAIVE SERVICE STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 194	AM:	AGENCY/POLT. SUB: Dept of Banking	
REVIEWED BY: Gary Bush	DATE: 1/20/17	PHONE: <a href="tel:4024714161">(402) 471-4161</a>	
COMMENTS: No basis to disagree with the estimated provided by the agency. The estimate appears to be reasonable.			

Please complete ALL (5) blanks in the first three lines.

**2017**

**LB<sup>(1)</sup> 194**

**FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup> Department of Banking & Finance

Prepared by: <sup>(3)</sup> Margo Sawyer Date Prepared: <sup>(4)</sup> 1/19/17 Phone: <sup>(5)</sup> 471-4954

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

	<u>FY 2017-18</u>		<u>FY 2018-19</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	-4,225	_____	-8,450
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
<b>TOTAL FUNDS</b>	<b>=====</b>	<b>-4,225</b>	<b>=====</b>	<b>-8,450</b>

**Explanation of Estimate:**

There are currently 82 Delayed Deposit Services licenses with an annual renewal fee of \$500 each. \$150 of the fee goes to the Financial Institutions Assessment Cash Fund, and \$350 to the Financial Literacy Cash Fund, with annual revenues to the department of \$12,300. There are currently 46 Delayed Deposit Service Branches with annual renewal fees of \$500 each. \$100 of the fee goes to the Financial Institutions Assessment Cash fund, and \$400 goes to the Financial Literacy Cash Fund, with annual revenues to the department of \$4,600. The department estimates that there would be a 25 percent reduction in renewals the first fiscal year for a reduction in revenues of \$4,225. The department estimates an additional 25% reduction in 2018, a total reduction of revenues of \$8,450.

Examiner time savings due to decreased number of DDS licensees will be offset with lost examiner billable time and with increased examination processes to spot check compliance with new guidance. Reports to the Legislature will require a redesign of the annual information forms requiring between 20 and 40 hours of Review Examiner and IT time which would be absorbed into the existing budget.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2017-18</u>	<u>2018-19</u>
	<u>17-18</u>	<u>18-19</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
<b>TOTAL.....</b>	<b>=====</b>	<b>=====</b>	<b>=====</b>	<b>=====</b>