

Revised to include AM 2312

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2020-21		FY 2021-22	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS	10,613	(52,300)		(16,550)
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	10,613	(52,300)		(16,550)

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

LB 909 relates to banking and makes changes to statute to allow certain employees other than director, deputy director, counsel, attorney or financial institution examiner to borrow money from any financial institution chartered by the Department of Banking; expands definition of unimpaired capital and unimpaired surplus; removes requirement for financial institutions to publish bi-annual reports in a legal newspaper; updates or includes references to applicable federal provisions; changes the fund for remittance of loan broker filing fees; clarifies that fines and costs from a loan broker acting with impunity shall be in addition to the penalties imposed by the laws of the state and stipulates that the state treasurer shall credit the costs to the Securities Act Cash Fund and fines in accordance to the Constitution of Nebraska; and changes timeframe to conduct examinations of licenses from annually to as determined by the director. No fiscal impact.

As amended by AM2312, the amendment retains the original provisions of LB909 and contains the provisions of six bills relating to the banking and finance.

The affected bills with the amendment are summarized as follows:

LB764- This bill relates to the expansion of allowable securities or interests of a fiduciary agent holding funds for investment except for prohibition on investments relating to charges allowed by an estate or trust for legal services performed by an attorney who is a salaried employee of said trust. As amended by AM2312, the bill would permit the a Nebraska trust company acting as a trustee or agent to invest fiduciary funds in private investment funds managed by an affiliate of the trust company. No fiscal impact.

LB852- As amended, LB 852 adds “goats” and “hemp” to the definition of “Farm product” in section 52-1308. Section 2 changes provisions regarding unauthorized financing statement filings under the Uniform Commercial Code. The Secretary of State would need to modify their Business Services Filing System (BSFS) to accommodate the provisions of LB 852 to accommodate the new products/commodities in the system. The estimate is a one-time cost to make the necessary changes is \$10,613. This estimate appears to be reasonable.

LB853- As amended, LB 853 provides banking protections to prevent exploitation of vulnerable or senior adults. The bill provides definitions of senior and vulnerable adults, accounts, transactions, exploitation, and financial institutions that are relevant to the enactment of this bill. The bill provides legal protection for financial institutions to take action to prevent financial exploitation, including authorizing placement of a hold on customer transactions. No fiscal impact.

LB854- As amended, LB854 revises the Public Funds Deposit Security Act. Under this act, it is required that public funds held by entities designated as a public depository, such as a bank, capital stock financial institution or qualified financial institution, in excess of the amount insured by the Federal Deposit Insurance Corporation must 1) secure the public funds by furnishing securities and/or 2) provide a deposit guaranty bond in a single pool of securities if the total value of the bond is at least 102% of the amount of the deposit. The director designates a qualified entity as the administrator for oversight of the single bank pooled method. The bill includes language to require that financial institutions who hold public funds to secure the funds within ten days or shorter period as has been agreed upon by the financial institution and director. The bill further changes the language that the monthly reports submitted by the financial institutions to the administrator a statement from the funds not insured by the FDIC by each “governmental unit”, rather than the “custodial official”, separately and in aggregate. The bill further requires that a report from the administrator be provided to each governmental unit to reflect the status of the funds. The bill requires that the posting of the report conducted by the administrator may have been deemed to have been provided to a governmental unit upon posting the report on the administrator’s website. No fiscal impact.

LB908- LB 908 would require delayed deposit services (DDS) licensees to be licensed and registered through the Nationwide Mortgage Licensing System and for the Nationwide Mortgage Licensing System (NMLS), or its designee, to charge transaction and other fees relating to the Delayed Deposit Services Licensing Act. The bill also allows the director to establish requirements for background checks, reporting, privacy policies, auditing and other provisions regarding monitoring and providing information to the US government through the Nationwide Mortgage Licensing System

Additionally, the bill requires licensees to designate a principal place of business in the state rather than to obtain a license for each county in which it operates. Currently, there are 23 companies that hold licenses in multiple counties for a total of 72 main licenses. The Department of Banking & Finance estimates a .66% conversion rate of main offices that would be converted to branches resulting in a reduction of 49 delayed deposit services main office if LB908 were to be enacted. Therefore, only the 23 main offices would remain and continue to be required to submit license renewal fees. It is then estimated that 49 main offices would be eligible to convert to branches and there are currently 39 branches thus estimating a total number of branches as 71.

The bill provides for a transitional licensing period for licensees to transition to utilize the Nationwide Mortgage Licensing System from May 1, 2020 through December 31, 2021. Licenses issued between May 1, 2020 and December 31, 2020 will remain in effect until December 31, 2021. Licenses issued on or after January 1, 2021 will remain in effect until December 31, 2021. During the transition period occurring in FY 2020-2021, the renewal fees will not be collected in May 2021 resulting in a one year fiscal loss. Renewal collection will resume December 2021 and will be collected in May 2022; (FY 2021-2022) however, the revenue will be reduced indefinitely as the fees collected by Department of Banking due to the conversion of main branches to bank offices.

A portion of the delayed deposit service licenses is allocated to the University of Nebraska for the Financial Literacy Cash Fund which is utilized to provide a financial literacy programs for K-12th graders. The collection of the fees from the licensing would reflect the reductions in revenues in the same manner as the Department of Banking.

Per Sec. 45-910, delayed deposit services licensure renewal fees are allocated as follows: Main Office Branch Office License Renewal License Renewal Financial Institutions Assessment Cash Fund (Banking & Finance) receives \$150 for main offices and \$100 for branch offices. The Financial Literacy Cash Fund (University of Nebraska) receives \$350 for main offices and \$400 for branch office renewals.

	FY 2020-2021		
	<u>Main Office License Renewal</u>	<u>Branch Office License Renewal</u>	<u>Revenue Loss</u>
Financial Institutions Assessment Cash Fund (Banking & Finance)	\$10,800	\$3900	\$14,700
Financial Literacy Cash Fund (University of Nebraska)	\$25,200	\$12,400	<u>\$37,600</u>
TOTAL Revenue Loss 2020-2021			<u>\$52,300</u>

	FY 2021-2022	
	<u>Main Office License Renewal</u>	
Financial Institutions Assessment Cash Fund (Banking & Finance)	\$4150	
Financial Literacy Cash Fund (University of Nebraska)	<u>\$12,400</u>	
TOTAL Revenue Loss 2021-2022	<u>\$16,550</u>	

SUMMARY:

LB908 as amended by AM2312 would have the following overall fiscal impact:

	University of Nebraska (loss of revenues)		Department of Banking (loss of revenues)		Secretary of State (increased expenditures)	
	FY 2020-21	FY 2021-22	FY 2020-21	FY 2021-22	FY 2020-21	FY 2021-22
GENERAL FUNDS						
CASH FUNDS	(37,600)	(12,400)	(14,700)	(4,150)	10,613	
FEDERAL FUNDS						
OTHER FUNDS						

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 909	AM: 2312	AGENCY/POLT. SUB: Department of Banking and Finance
REVIEWED BY: Neil Sullivan	DATE: 2/19/2020	PHONE: (402) 471-4179
COMMENTS: The Department of Banking and Finance assessment of fiscal impact from LB 909 as amended by AM 2312 appears reasonable.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 909	AM: 2312	AGENCY/POLT. SUB: University of Nebraska
REVIEWED BY: Neil Sullivan	DATE: 2/19/2020	PHONE: (402) 471-4179
COMMENTS: The University of Nebraska assessment of fiscal impact from LB 909 as amended by AM 2312 appears to differ slightly from Department of Banking projections including overstated continued revenue loss for FY22.		

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2020

LB⁽¹⁾ 909, AM2312

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Department of Banking and Finance

Prepared by: ⁽³⁾ Margo Sawyer Date Prepared: ⁽⁴⁾ 2/19/20 Phone: ⁽⁵⁾ 402-471-4954

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2020-21</u>		<u>FY 2021-22</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	-14,700	_____	-4,150
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	-14,700	=====	-4,150

Explanation of Estimate:

AM 2312 to LB 909 now contains the following bills:

- LB 909 (Introduced version)
- LB 764 w/AM 2194
- LB 852 (Introduced version)
- LB 853 w/AM 2271
- LB 854 w/AM 2154
- LB 908 (Introduced version)
- LB 939 (Introduced version)

Section 23 of AM 2312 would amend Section 45-191.02 to change the repository fund for loan broker filing fees from the Financial Institution Assessment Cash Fund to the Securities Act Cash Fund. It is estimated there will be a \$1,000 change (annually) to each fund as a result of the amendment. The changes are offsetting, resulting in no fiscal impact to the Department. This provision was included in original LB 909 (section 18).

Sections 35 through 43 of AM 2312 would amend the Delayed Deposit Services Licensing Act to require delayed deposit services (DDS) licensees to utilize the Nationwide Mortgage Licensing System. These provisions constituted original LB 908. The bill would also require licensees to designate a principal place of business in the state rather than obtain a license for each county in which it operates. Currently, there are 23 companies that hold licenses in multiple counties, for a total of 72 licenses. As a result, the total number of main office licenses would be reduced by 49. The annual renewal cost for a DDS license is \$500, with the Department receiving \$150 of that fee (\$350 to the Financial Literacy Cash Fund), for an annual revenue loss of \$4,150 for the Department.

This bill provides for a transitional licensing period for licensees to utilize the Nationwide Mortgage Licensing System from May 1, 2020 through December 31, 2021. Licenses issued between May 1, 2020 and December 31, 2020 will remain in effect until December 31, 2021. Licenses issued on or after January 1, 2021 will remain in effect until December 31, 2021. As such, renewal fees of \$10,550 (23 Companies at \$150 and 71 Branches at \$100) will not be collected in May 2021 resulting in a one fiscal year revenue loss. Renewal collection will resume December 2021.

The licensee will incur an additional fee for filing with NMLS, in addition to the fees payable to the Department.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2020-21</u>	<u>2021-22</u>
	<u>20-21</u>	<u>21-22</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____

Operating.....	_____	_____
Travel.....	_____	_____
Capital outlay.....	_____	_____
Aid.....	_____	_____
Capital improvements.....	_____	_____
TOTAL	_____	_____

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

2020

LB⁽¹⁾ 909 AM2312

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Secretary of State

Prepared by: ⁽³⁾ Joan Arnold Date Prepared: ⁽⁴⁾ 2/18/2020 Phone: ⁽⁵⁾ 402-471-2384

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2020-21</u>		<u>FY 2021-22</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	\$10,613	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u>\$10,613</u>	_____	_____	_____

Explanation of Estimate:

LB909 AM2312 includes the provisions previously included in LB852. As such, the language would require modifications to our Business Services Filing System (BSFS) by the system vendor. The vendor estimates the following costs to add "hemp" and "goats" as new products/commodities in the system:

- \$1,770 to add the products to the initial entry screen
- \$1,770 to update the API between BSFS and Ne.gov for online filings
- \$7,073 to update the monthly buyers reports to show the new products and create new reports for those products

In order to pay for these system modifications we are requesting an increase in cash fund appropriations only. We have a sufficient cash balance to accommodate these costs; no general funds are requested.

LB909 AM2312 also includes the provisions previously included in LB939; however, that language has no fiscal impact.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2020-21 EXPENDITURES</u>	<u>2021-22 EXPENDITURES</u>
	<u>20-21</u>	<u>21-22</u>		
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	\$10,613	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	\$10,613	_____

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

2020

LB⁽¹⁾ 909 AM 2312

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ University of Nebraska

Prepared by: ⁽³⁾ Michael Justus Date Prepared: ⁽⁴⁾ February 18 2020 Phone: ⁽⁵⁾ 402-472-7109

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2020-21</u>		<u>FY 2021-22</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	<u>(37,600)</u>	_____	<u>(12,400)</u>
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u>_____</u>	<u>(37,600)</u>	<u>_____</u>	<u>(12,400)</u>

Explanation of Estimate:

We believe the fiscal impact would be consistent with the information provided by the Department of Banking on LB 908, with decreases in revenue for the Financial Literacy Cash Fund \$37,600 for FY 21 and \$12,400 for FY 22. However, we would defer to the Department of Banking on any changes to the likely amounts.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2020-21</u>	<u>2021-22</u>
	<u>20-21</u>	<u>21-22</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____