

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

March 7, 2005

TO: Honorable Burt R. Solomons, Chair, House Committee on Financial Institutions

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: HB846 by Flynn (Relating to deferred presentment transactions.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB846, As Introduced: an impact of \$0 through the biennium ending August 31, 2007.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2006	\$0
2007	\$0
2008	\$0
2009	\$0
2010	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/ (Loss) from GENERAL REVENUE FUND 1	Probable Savings/(Cost) from GENERAL REVENUE FUND 1	Change in Number of State Employees from FY 2005
2006	\$454,029	(\$454,029)	7.0
2007	\$426,529	(\$426,529)	7.0
2008	\$426,529	(\$426,529)	7.0
2009	\$426,529	(\$426,529)	7.0
2010	\$444,029	(\$444,029)	7.0

Fiscal Analysis

The bill would adjust the fees that can be charged for deferred presentment transactions under Section 342, Texas Finance Code.

The bill would take effect September 1, 2005.

Methodology

The Office of Consumer Credit Commissioner anticipates that by increasing the authorized fees that can be charged for deferred presentment transactions under the Texas Finance Code, many companies that currently pair with out of state lending institutions in order to import more favorable lending rates

into the State would switch to charging fees under the Texas Finance Code. This would increase the agency's responsibilities to include oversight of the rates and terms of these lenders.

In addition, it is anticipated that because of the authorized fee increase, an additional 1,750 deferred presentment transaction locations would begin operation through the expansion of existing companies and the introduction of new businesses into the state.

It is anticipated that the Office of Consumer Credit Commissioner would require one Administrative Assistant I position (\$22,566 in salaries and wages each year) to process licenses, maintain current address locations, process annual renewal billings and collection, and maintain and review annual reports submitted by the new deferred presentment transaction locations.

In order to perform examinations of new deferred presentment transaction locations, the agency would require four Financial Examiner I positions (\$132,000 in salaries and wages each year), and two Financial Examiner II positions (\$79,000 in salaries and wages each year).

The agency would require \$10,000 in fiscal year 2006 for changes to the agency's licensing database, \$17,500 in fiscal years 2006 and 2010 for computers and related equipment, \$78,000 each year travel related to examinations, \$45,500 each year for consumable supplies and other operating expenses, and \$69,463 each year for employee benefits.

It is anticipated that any costs associated with the Office of Consumer Credit Commissioner's increased regulatory responsibilities would be offset by an increase in the amount of fee revenue generated.

Technology

The Office of Consumer Credit Commissioner would require \$10,000 in fiscal year 2006 for changes to the agency's licensing database. The agency would also require computers and related equipment for 7 additional FTEs in fiscal years 2006 and 2010.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 450 Savings and Loan Department, 451 Department of Banking, 466 Office of Consumer Credit Commissioner, 469 Credit Union Department

LBB Staff: JOB, JRO, MW, RB