

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 20, 2009

TO: Honorable Vicki Truitt, Chair, House Committee on Pensions, Investments & Financial Services

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

IN RE: HB3304 by Kent (Relating to the regulation of credit services organizations.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3304, As Introduced: an impact of \$0 through the biennium ending August 31, 2011.

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 |
|-------------|--|
| 2010 | \$0 |
| 2011 | \$0 |
| 2012 | \$0 |
| 2013 | \$0 |
| 2014 | \$0 |

All Funds, Five-Year Impact:

| Fiscal Year | Probable Savings/(Cost) from <i>General Revenue Fund</i> 1 | Probable Revenue Gain from <i>General Revenue Fund</i> 1 |
|-------------|--|--|
| 2010 | (\$617,024) | \$617,024 |
| 2011 | (\$589,524) | \$589,524 |
| 2012 | (\$589,524) | \$589,524 |
| 2013 | (\$589,524) | \$589,524 |
| 2014 | (\$607,024) | \$607,024 |

| Fiscal Year | Change in Number of State Employees from FY 2009 |
|-------------|---|
| 2010 | 7.0 |
| 2011 | 7.0 |
| 2012 | 7.0 |
| 2013 | 7.0 |
| 2014 | 7.0 |

Fiscal Analysis

The bill would amend the Finance Code so that credit service organizations that obtain, facilitate, or assist a consumer in obtaining an extension of credit must be licensed and regulated by the Office of Consumer Credit Commissioner (OCCC).

The bill would require the Finance Commission to adopt rules related to regulation of credit service organizations by October 1, 2009. Credit service organizations would not be required to obtain a license until January 1, 2010.

Section 393.1045 would take effect September 1, 2009. Section 393.1046 would take effect January 1, 2010

Methodology

Based on the information provided by the Office of Consumer Credit Commissioner (OCCC), it is assumed that OCCC would require 7 additional positions, including 6 Financial Examiners at the salary and benefits cost of \$377,996 each fiscal year for examinations and enforcement and one Administrative Assistant at the salary and benefit costs of \$46,028 in each fiscal year to process licenses and annual renewal billings for an estimated increase in 1,500 to 2,000 new licensees. Other costs associated with the 7 FTEs include travel costs, other operating expenses, and consumable supplies, totaling \$165,500 each fiscal year. Additional technology costs of \$17,500 in fiscal year 2010 and 2014 include computers and software for new positions. The agency would need \$10,000 in fiscal year 2010 to upgrade the agency's database and servers.

The OCCC is a self-leveling agency and is statutorily required to generate revenues sufficient to cover all of the agency's direct and indirect costs.

Technology

Technology costs include \$17,500 in fiscal years 2010 and 2014 for computers and software for 7.0 FTEs and \$10,000 in fiscal year 2010 for a database upgrade.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 450 Department of Savings and Mortgage Lending, 451 Department of Banking, 466 Office of Consumer Credit Commissioner

LBB Staff: JOB, JRO, MW, ACa