

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

May 4, 2009

TO: Honorable Troy Fraser, Chair, Senate Committee on Business & Commerce

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

IN RE: SB2131 by Davis, Wendy (Relating to the regulation of credit services organizations.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB2131, 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 | Change in Number of State Employees from FY 2009 |
|-------------|---|---|---|
| 2010 | (\$996,206) | \$996,206 | 2.5 |
| 2011 | (\$978,706) | \$978,706 | 2.5 |
| 2012 | (\$978,706) | \$978,706 | 2.5 |
| 2013 | (\$978,706) | \$978,706 | 2.5 |
| 2014 | (\$986,206) | \$986,206 | 2.5 |

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, including a motor vehicle certificate of title, must be licensed by the Office of Consumer Credit Commissioner (OCCC). In addition, the OCCC must establish a database to monitor the compliance of credit service organizations.

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.

The bill would take effect September 1, 2009.

Methodology

Based on the information provided by the Office of Consumer Credit Commissioner (OCCC), it is assumed that OCCC would require 2.5 additional positions, including one Financial Examiner at the salary and benefits cost of \$59,785 each fiscal year for examinations and enforcement, one Administrative Assistant at the salary and benefits cost 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, and 0.5 Attorney at the salary and benefits cost of \$36,642. Other costs associated with the 2.5 FTEs include travel costs, other operating expenses, and consumable supplies, totaling \$36,250 each fiscal year. Technology costs of \$7,500 in fiscal year 2010 and 2014 include computers and software for new positions and \$10,000 in fiscal year 2010 to upgrade the agency's database and servers. Additionally, the agency would need \$800,000 each fiscal year to implement a database system capable of collecting the data required by the bill.

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 \$7,500 in fiscal years 2010 and 2014 for computers and software for 2.5 FTEs, \$10,000 in fiscal year 2010 for a database upgrade, and \$800,000 each fiscal year 2010-2015 for a data collection database.

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

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