

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3429-01
Bill No.: HB 1337
Subject: Banks & Financial Institutions; Credit Unions; Department of Economic
 Development; Merchandising Practices
Type: Original
Date: February 12, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2003	FY 2005
Division of Finance Fund	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> State Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
None	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Department of Economic Development - Division of Finance (DOF)** assume the proposal would require the licensing of 100 check cashing businesses statewide. DOF officials assume that investigations and examinations could be accomplished with one full-time examiner and one half-time secretary, plus related expenses. DOF officials calculated the cost to be \$52,552 for FY 2003, \$57,397 for FY 2004 and \$58,845 for FY 2005. DOF assumes that fees charged by DOF would be set at an amount that would offset these costs. Therefore, the net fiscal impact to the Division as a result of the proposal would be zero.

This bill restricts fees allowed to be charged for check-cashing services and prohibits charging an interest rate in excess of 30% APR on a small loan. Officials with the **Office of the Secretary of State (SOS)** assume the Division of Finance will promulgate rules to implement this bill. The Division of Finance will promulgate rules to implement this bill. Based on experience with other divisions, the rules, regulations and forms issued by the Division of Finances could require as many as eight pages in the Code of State Regulations. For any given rule, roughly half again as many pages are published in the Missouri Register in the Code because cost statements, fiscal notes and the like are not repeated in Code. These costs are estimated. The estimated cost of a page in the Missouri Register is \$23.00. The estimated cost of a page in the Code of State Regulations is \$27.00. The actual cost could be more or less than \$492 estimated for FY 03. The impact of this legislation in future years is unknown and depends upon the frequency and length of rules filed, amended, rescinded or withdrawn.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials with the **Department of Economic Development–Division of Credit Unions**, the **Office of Attorney General**, the **Office of State Courts Administrator**, and the **Office of State Public Defender**, and the **Office of Prosecution Services** assume the proposal would have no impact on their agencies.

Officials with the **Department of Corrections(DOC)** stated the cost to DOC was unknown, but was assumed to be \$0, or a minimal amount that could be absorbed with existing staff.

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
DIVISION OF FINANCE FUND			
<u>Income</u> —DOF			
Fees from check-cashing businesses	\$52,552	\$57,397	\$58,845
<u>Costs</u> —DOF			
Personal services (1.5 FTE)	(\$33,313)	(\$40,974)	(\$41,999)
Fringe benefits	(\$11,360)	(\$13,972)	(\$14,322)
Equipment and expense	<u>(\$7,879)</u>	<u>(\$2,451)</u>	<u>(\$2,524)</u>
Total <u>Costs</u> - Division of Finance	(\$52,552)	(\$57,397)	(\$58,845)
ESTIMATED NET EFFECT TO DIVISION OF FINANCE FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal will have a direct fiscal impact on check-cashing businesses.

DESCRIPTION

This bill establishes regulations for check cashing businesses. Banks, other financial institutions, and retailers that charge a flat fee of no more than \$2 are exempt.

Check cashing businesses must apply for registration with the Division of Finance. The division may assess registration fees; conduct investigations of the qualifications and criminal background of the partners, directors, officers, supervisory employees, and authorized agents of the business; and must act on applications within 60 days. If an application is denied, the division must inform the applicant and publish the findings within 20 days. The applicant may appeal the decision to the appropriate circuit court within 30 days after publication. Registration must be renewed annually and is not transferable.

Check-cashing businesses may charge fees of no more than 1% or \$5, whichever is less, for cashing payroll or government checks, and no more than 2% or \$5, whichever is less, for cashing

other checks. Fee schedules must be conspicuously posted with the registration certificate of the business and information on filing a complaint. Businesses must also provide each customer with a receipt, file an annual report with the division, and maintain records of each transaction for at least three years.

Violations are class A misdemeanors and considered unfair and deceptive trade practices. The division may conduct examinations, suspend or revoke registrations, issue cease and desist orders, and impose civil penalties of up to \$1,000 per violation. Penalties are paid to a fund for consumer education programs. The division or any aggrieved party may file a civil action to recover actual, consequential, and punitive damages; attorney and witness fees; and court costs. Minimum damages are \$500 or the amount of loss, whichever is greater.

The division must also submit to the General Assembly and make available to the public an annual report on the status of check cashing businesses in the state.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space. This legislation would increase state revenue.

SOURCES OF INFORMATION

Department of Economic Development
 Division of Finance
 Division of Credit Unions
Office of the Secretary of State
Office of State Courts Administrator
Office of State Public Defender
Office of Prosecution Services
Office of the Attorney General
Department of Corrections



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February 12, 2002