



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 793** HLS 16RS 989

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.: **REVISED**

Date: April 13, 2016	1:54 PM	Author: CARMODY
Dept./Agy.: La Office of Financial Institutions		
Subject: Provides for the Louisiana Installment Loan Act		Analyst: Alan M. Boxberger

CREDIT/CONSUMER

OR INCREASE SG EX See Note

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Provides for the Louisiana Installment Loan Act

Proposed law provides for definitions regarding installment loans; makes it unlawful to engage in making installment loans unless licensed; provides for licensure requirements and exclusions; provides for review by the commissioner of licensee’s compliance; provides for powers and duties of the commissioner with regard to applications; provides for posting of licenses; provides for terms of licensure and notification of denial of licensure; provides for appeals and reviews; provides for licensing, renewal and supervision fees; provides for non-transferability; provides for revocation; provides for allowable periodic interest rates and loan maximums; provides that maximums be adjusted biennially to reflect changes in the Consumer Price Index; provides for the practice of making installment loans; provides for customer defaults pursuant to installment loan plans; provides for notification requirements; provides for record-keeping requirements; provides for investigatory powers of the commissioner; provides for reasonable and actual expenditure reimbursements by licensees or unlicensed persons; provides for hearings and jurisdiction; provides for penalties and criminal and civil penalties; provides for consent orders; provides for complaints; provides for enforcement; provides for annual reporting; provides for multi-state licensing; provides for administrative rulemaking; provides for information sharing; and restricts local governmental unit regulation.

EXPENDITURES	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$234,338	\$224,228	\$225,788	\$227,426	\$229,145	\$1,140,925
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total	\$234,338	\$224,228	\$225,788	\$227,426	\$229,145	\$1,140,925

REVENUES	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$80,500	\$157,200	\$98,760	(\$645)	\$27,765	\$363,580
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total	\$80,500	\$157,200	\$98,760	(\$645)	\$27,765	\$363,580

EXPENDITURE EXPLANATION

Proposed law will result in a SGR expenditure increase for the Office of Financial Institutions (OFI) by establishing a new licensing and regulation program entitled the “Louisiana Installment Loan Act.” OFI projects the program would have in excess of 800 licensees by FY 19. OFI projects the need to add three T.O. positions, two Compliance Examiners at \$74,052 each (salary plus related benefits) and one Administrative Program Specialist A at \$69,209 (salary plus related benefits) during FY 17. OFI assumes a 1.9% increase in related benefits expenditures in each subsequent year. OFI also assumes an increase in Operating Expenses to provide for maintenance costs per employee at \$385 each, or \$1,155 (\$385 x 3 T.O.). Other Charges expenditures are projected to increase by \$4,275 per year (\$100 per employee for supplies, \$1,000 per employee for travel costs, \$300 per employee for phone service and \$75 total for printing. There would be a one-time acquisitions expenditure of \$11,595 in FY 17 to provide necessary office furniture and equipment.

To the extent that OFI is unable to cover projected expenditure increases within existing and new revenues as detailed below, additional funding may be required from an undetermined revenue source or OFI may need to increase SGR collections (if possible) through rule changes according to the Administrative Procedure Act.

REVENUE EXPLANATION

Proposed law establishes new fees as follows: 1) \$715 license filing fee, 2) \$500 new licensee supervision fee to be refunded if license is issued, and 3) \$290 license renewal fee. OFI estimates that 85% of 950 total licensees from the Licensed Consumer Lender Program will obtain licenses under proposed law over the next 3-year period and will no longer maintain existing licenses. Proposed law also provides for “reasonable and actual” expenses to be paid by licensees for investigations/examinations and for certain reviews. OFI projects these expenses to equate to \$50 per man-hour.

OFI’s projected revenues vary by fiscal year depending on the number of applicants for the new installment loan license and the number of requests for investigations or examination fees. Likewise, the number of existing entities using the Licensed Consumer Lender option is projected to decline over time as a significant number of those (estimated at 85%) transition to licensure under the installment loan option. The interrelation of the numbers of individuals and businesses seeking new licenses, renewals and investigation or examination fees creates a variable revenue base as reflected in the table above and in the explanation on page 2.

Senate

☒ 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}

Dual Referral Rules

☐ 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

House

☐ 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}

☐ 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Evan Brasseaux

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Staff Director

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CONTINUED EXPLANATION from page one:

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REVENUE EXPLANATION CONTINUED FROM PAGE 1

OFI projects revenue increases in four of the upcoming five fiscal years, and a decline of revenues in FY 20. OFI's assumptions are as follows:

FY 17 New Revenue = 200 New applicants x \$715 filing fee plus \$500 supervision fee (refunded) = \$143,000
FY 17 Investigation/examination fee of 50 x 8 hours x \$50 per hour = \$20,000
FY 17 Reduction in Licensed Lender new applications \$650 x (50) = (\$32,500)
FY 17 Reduction in Licensed Lender renewal applications \$500 x (100) = (\$50,000)
FY 17 Revenue Impact = \$143,000 + \$20,000 - \$32,500 - \$50,000 = \$80,500

REVENUE EXPLANATION CONTINUED ON PAGE 2

FY 18 New Revenue = 400 New applicants x \$715 filing fee plus \$500 supervision fee (refunded) = \$286,000
FY 18 Investigation/examination fee of 150 x 8 hours x \$50 per hour = \$60,000
FY 18 Installment License renewal fee \$290 x 380 = \$110,200
FY 18 Installment License change of control fee \$300 x 10 = \$3,000
FY 18 Reduction in Licensed Lender new applications \$650 x (80) = (\$52,000)
FY 18 Reduction in Licensed Lender renewal applications \$500 x (500) = (\$250,000)
FY 18 Revenue Impact = \$286,000 + \$60,000 + \$110,200 + \$3,000 - \$52,000 - \$250,000 = \$157,200

FY 19 New Revenue = 300 New applicants x \$715 filing fee plus \$500 supervision fee (refunded) = \$214,500
FY 19 Investigation/examination fee of 200 x 8 hours x \$50 per hour = \$80,000
FY 19 Installment License renewal fee \$290 x 694 = \$201,260
FY 19 Installment License change of control fee \$300 x 10 = \$3,000
FY 19 Reduction in Licensed Lender new applications \$650 x 0 = \$0
FY 19 Reduction in Licensed Lender renewal applications \$500 x (800) = (\$400,000)
FY 19 Revenue Impact = \$214,500 + \$80,000 + \$201,260 + \$3,000 + \$0 - \$400,000 = \$98,760

FY 20 New Revenue = 75 New applicants x \$715 filing fee plus \$500 supervision fee (refunded) = \$53,625
FY 20 Investigation/examination fee of 250 x 8 hours x \$50 per hour = \$100,000
FY 20 Installment License renewal fee \$290 x 837 = \$242,730
FY 20 Installment License change of control fee \$300 x 10 = \$3,000
FY 20 Reduction in Licensed Lender new applications \$650 x 0 = \$0
FY 20 Reduction in Licensed Lender renewal applications \$500 x (800) = (\$400,000)
FY 20 Revenue Impact = \$53,625 + \$100,000 + \$242,730 + \$3,000 + \$0 - \$400,000 = (\$645)

FY 21 New Revenue = 75 New applicants x \$715 filing fee plus \$500 supervision fee (refunded) = \$53,625
FY 21 Investigation/examination fee of 300 x 8 hours x \$50 per hour = \$120,000
FY 21 Installment License renewal fee \$290 x 866 = \$251,140
FY 21 Installment License change of control fee \$300 x 10 = \$3,000
FY 21 Reduction in Licensed Lender new applications \$650 x 0 = \$0
FY 21 Reduction in Licensed Lender renewal applications \$500 x (800) = (\$400,000)
FY 21 Revenue Impact = \$53,625 + \$120,000 + \$251,140 + \$3,000 + \$0 - \$400,000 = \$27,765

NOTE: Projected revenues are not anticipated to cover the expenditures projected by OFI. To the extent that the department would be unable to cover projected expenses utilizing existing budget authority, the department may require supplemental funding from an undetermined revenue source or to increase SGR collections (if possible) through rule changes according to the Administrative Procedure Act.

Senate Dual Referral Rules House

- ☒ 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}
- ☐ 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
- ☐ 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}
- ☐ 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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