

Individual State Agency Fiscal Note

Bill Number: 3167 HB	Title: Small loans	Agency: 102-Dept of Financial Institutions
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

FUND	FY 2006	FY 2007	2005-07	2007-09	2009-11
Financial Services Regulation Account-Non-Appropriated 300-6		1,125,000	1,125,000	2,250,000	2,250,000
Total \$		1,125,000	1,125,000	2,250,000	2,250,000

Estimated Expenditures from:

	FY 2006	FY 2007	2005-07	2007-09	2009-11
FTE Staff Years	0.0	4.9	2.5	4.0	4.0
Fund					
Financial Services Regulation Account-Non-Appropriated 300-6	0	604,374	604,374	1,516,994	1,516,994
Total \$	0	604,374	604,374	1,516,994	1,516,994

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☒ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☒ Requires new rule making, complete Part V.

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OFM Review: Doug Jenkins	Phone: 360-902-0563	Date: 02/01/2006

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Section 1 of the proposed legislation requires the makers of small loans to access a real-time database implemented by the Department of Financial Institutions (DFI) through an internet connection to verify whether any small loans are outstanding for a particular person. The section grants the Department the following: authority to impose a fee not to exceed \$1.00 per transaction when data is required to be submitted by a licensee and; rulemaking authority to implement the section.

Current information systems used by DFI are inadequate to handle the data collection required. DFI must acquire new software or develop an in house data management system.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

FY 2004 is the most recent year for which information pertaining to small loans is available. During this year, almost 3.3 million small loans were executed in the State of Washington. The Department formulated the following estimates utilizing the State of Florida as the model database state because it has used a similar database system for over two years. The Department, in reviewing data available from the State of Florida (3 million small loans for a population of 16 million for 18.75%), estimates this number of small loans would drop from 3.3m to 1.125 million small loans (State of Washington population 6m x 18.75%) as HB 3167 would act as a deterrent for persons seeking multiple small loans. The Department assumes all licensees accepting small loan applications would comply with the requirements of HB 3167 Section 1; the Department would charge \$1.00 per submission of which it estimates \$0.40 would be paid to the data collection agent that would be contracted for by the Department. Total annual fees would be \$1.125 million; \$450,000 to the data collection agent and \$675,000 would remain in the Department.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

The Department will be required to purchase a database to implement HB 3167 Section 1.

Contracts:

FY 2007 \$200,000 for software development

FY 2008 and thereafter: \$450,000 for data collection agent

Information Services will require the following in FY 2007:

0.10 FTE, Information Technology Specialist 3 (ITS-3) to develop end user reports, provide training and basic support to DFI staff, and maintain the new database and link it to existing licensing and registration databases.

0.50 FTE, Information Technology Specialist 4 (ITS-4) for coding

0.10 FTE, Information Technology Specialist 5 (ITS-5) for technical project management, developing a data base and data link between the proposed application and the existing data bases. This will involve creating requirements definitions, developing and scheduling appropriate user testing and tracking deliverables. They will also be creating a reporting structure as well as developing the appropriate training for end users and technical staff.

0.10 FTE, IS Manager to manage overall functionality and budget.

In FY 2008 and thereafter, 0.20 FTE Information Technology Specialist 3 (ITS-3) will be needed to perform these tasks.

Division of Consumer Services Staffing

New examination and enforcement responsibilities will be placed on DFI as a result of the expanded examination procedures.

In FY 2007 and thereafter this will require:

1.00 FTE, Financial Examiner 2 (FE2) for examinations

1.00 FTE, Financial Examiner 3 (FE3) for examinations

1.00 FTE, Financial Legal Examiner 2 (FLE2) for enforcement

0.20 FTE, Secretary Admin to collect and input data from examination or annual reports submitted by licensees.

In FY 2007 only:

0.10 FTE, Program Manager for Examination will be required to oversee the implementation of the new requirements.

Rulemaking

In FY 2007 rulemaking will require:

0.10 FTE Policy Director

0.10 FTE Division Director

Administrative Overhead

0.60 FTE Fiscal Analyst 2 (FA2) Administrative Overhead is calculated at 15% of new divisional FTEs. Salaries and benefits for administrative overhead are estimated utilizing a Fiscal Analyst 2 (FA2) as a composite position to represent all other administrative support positions.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2006	FY 2007	2005-07	2007-09	2009-11
FTE Staff Years		4.9	2.5	4.0	4.0
A-Salaries and Wages		261,320	261,320	412,810	412,810
B-Employee Benefits		56,894	56,894	90,196	90,196
C-Personal Service Contracts		200,000	200,000	900,000	900,000
E-Goods and Services		52,688	52,688	83,130	83,130
G-Travel		16,972	16,972	30,858	30,858
J-Capital Outlays		16,500	16,500		
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
Total:	\$0	\$604,374	\$604,374	\$1,516,994	\$1,516,994

III. B - Detail: List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA

Job Classification	Salary	FY 2006	FY 2007	2005-07	2007-09	2009-11
Division Director	94,224		0.1	0.1		
Financial Examiner 2	50,964		1.0	0.5	1.0	1.0
Financial Examiner 3	59,088		1.0	0.5	1.0	1.0
Financial Legal Examiner 2	52,212		1.0	0.5	1.0	1.0
Fiscal Analyst 2	36,048		0.6	0.3	0.6	0.6
ITS3	46,152		0.1	0.1	0.2	0.2
ITS4	50,964		0.5	0.3		
ITS5	56,220		0.1	0.1		
Manager, Information Services	83,484		0.1	0.1		
Policy Director	89,748		0.1	0.1		
Program Manager, Examinations	85,572		0.1	0.1		
Secretary Admin	32,028		0.2	0.1	0.2	0.2
Total FTE's			4.9	2.5	4.0	4.0

Part IV: Capital Budget Impact

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

Section 1 grants Department the authority to adopt rules to facilitate the implementation of the database.