

2007 Regular Legislative Session
FISCAL ANALYSIS OF PROPOSED LEGISLATION
Prepared by the Oregon Legislative Fiscal Office

MEASURE NUMBER: HB 2202 **STATUS:** A-Engrossed
SUBJECT: Check cashing licensing and regulation
GOVERNMENT UNIT AFFECTED: Department of Business and Consumer Services
PREPARED BY: John F. Borden
REVIEWED BY: Robin LaMonte
DATE: February 2, 2007

EXPENDITURES:	<u>2007-2009</u>	<u>2009-2011</u>
See Comments		

REVENUES:	<u>2007-2009</u>	<u>2009-2011</u>
See Comments		

POSITIONS / FTE:
See Comments

EFFECTIVE DATE: On passage

GOVERNOR’S BUDGET: This bill is anticipated by the Governor’s recommended budget.

LOCAL GOVERNMENT MANDATE: This bill does not affect local governments' service levels or shared revenues sufficient to trigger Section 15, Article XI of the Oregon Constitution.

COMMENTS: This measure requires the Department of Business and Consumer Services (DCBS) to create and enforce a licensing and regulatory program for individuals and check cashing businesses.

DCBS estimates that it would issue 850 initial licenses. The application fee, set by DCBS administrative rule, is assumed to be \$200 per application. There would be a biennial renewal cycle for licenses occurring the first quarter of every even numbered year. The cost of renewal would be \$150.

The Department would hire a Financial Examiner 1 position to investigate and approve initial license applications. This same position would be responsible for the examination of licensee’s business records as well as the investigation of alleged violations of this measure. The Department, by administrative rule, is allowed to recoup both examination and investigation costs through an assessment of the licensee or violator. There is also a provision allowing the Department to assess a civil penalty, which is not to exceed \$1,000 per violation up to a maximum of \$20,000 for a continued violation. The Department would retain civil penalty revenue in its general-purpose fund, which is used to pay any administrative expense of the Department.

The fiscal impact of this measure, according to the DCBS, is the cost of the permanent full-time Financial Examiner 1 position (1.00 FTE) including associated services and supplies costs. The position would be hired on July 1, 2007 at a cost of \$111,512 for both the 2007-09 biennium and the 2009-11 biennium. Services and supplies are \$15,450 for each biennium. The total expenditure impact would be \$126,962

Other Funds for both biennia. The fee and examination assessment revenue would be \$186,232 for the 2007-09 biennium and \$193,681 for the 2009-11 biennium. Revenue in excess of estimated expenditure would be used as an operating cash reserve, which would be approximately 12 months of expenditure reserve.

The Department will use some existing resources, in combination with the new position, for the following activities: (a) timely review and processing of the initial volume of licensee applications through its automated license computer application; (b) processing of on-going licensee renewals; and (c) Oregon Administrative Rules development, which it estimates at 60 hours.

With the uncertainty around this new regulatory function, the Department made no estimate of the following: (a) number of application denials that would be contested and the associated contested case hearings cost; (b) the revenue generated from assessment of investigation costs; (d) the number of license suspensions and the revenue foregone; and (d) the amount of civil penalty revenue collected.

The Legislative Fiscal Office notes that this fiscal impact is likely a conservative estimate. The workload this measure represents for a single Financial Examiner 1 position could be significant depending upon the number of complaints the Department receives, but also the number of investigations and violations it pursues.

DCBS's fiscal impact is included in the 2007-09 Governor's recommended budget. This measure does not require a subsequent referral to the Joint Committee on Ways and Means at this time. LFO will monitor this measure through the legislative process and adjust the Department's budget according.