

# South Carolina Board of Economic Advisors

## Statement of Estimated State Revenue Impact

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**Date:** March 31, 2009      **Bill Number:** H. B. 3301, as amended 03/30/09 by Senate B&I

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**Committee Requesting Impact:** Senate B & I

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**Bill Summary:** A bill to amend the Code of Laws of South Carolina, 1976, by adding Section (§) [§34-39-175](#) so as to require the Consumer Finance Division (CFD) of the Board of Financial Institutions (BFI) to implement a real-time internet accessible database ... to verify if deferred presentment transactions are outstanding for a particular person; by adding [§34-39-270](#) so as to prohibit a deferred presentment provider from entering into a deferred presentment transaction with a person who has an outstanding deferred presentment transaction or who has entered into an extended payment plan agreement ...; by adding [§34-39-280](#) so as to require those applying for licenses to engage in the business of deferred presentment to provide certain information regarding extended payment plans; to amend [§34-39-130](#), relating to licensure requirements for deferred presentment providers, so as to prohibit a person from engaging in the business of deferred presentment services with a resident of South Carolina except in accordance with the provisions of Chapter 39, Title 34; to amend [§34-39-180](#), relating to deferred presentment restrictions and requirements, so as to provide that the total amount advanced to a customer for deferred presentment or deposit, exclusive of permissible fees, may not exceed \$600.

*(... truncated for space; as further amended)*

### REVENUE IMPACT <sup>1/</sup>

This bill, as amended, is expected to apportion fee revenue to earmarked funds of the following agencies in fiscal years 2009-10 and 2010-11: AG: \$99,000 (FY10), \$84,000 (FY11); DCA: \$223,000 (FY10), \$161,000 (FY11). Conversely, it would reduce earmarked funds within the CFD of the BFI by \$25,000 (FY10) and by \$40,000 (FY11). The bill would not impact state General Fund revenue.

**Explanation of Amendment (March 30, 2009) – By Senate B & I:** The bill, as last amended, raises the total amount that can be advanced to a customer for deferred presentment (DP) or deposit in this State, excluding authorized fees, from not more than \$300 to not more than \$500 per transaction. Loan activity would be regulated to ensure only one DP transaction at a time, and apply to any loan converted to an extended term. The aforementioned changes would take effect by February 1, 2010, the deadline for start up of an internet accessible database of DP transactions. Upon enactment, the bill doubles the fee for an initial license application, which only applies to a parent company (from \$250 to \$500). Whereas renewal fees apply to parent firm and all satellite offices and are renewed annually in September. At renewal, the bill quadruples the current license renewal fee for the parent company (from \$250 to \$1,000) and for each location (from \$50 to \$200). Proceeds from one half of license renewals would shift from earmarked funds of the Consumer Finance Division (CFD) of the Board of Financial Institutions (BFI) to the Attorney General's Office (AG) to prosecute violations of provisions in Chapter 39 of Title 34 of the 1976 Code. At renewal, a licensee also shall pay a fee of ten cents to the BFI for each DP transaction paid in full during the prior license year. Proceeds from this fee would be transferred to the S.C. Department of Consumer Affairs (DCA) for education and counseling.

We expect that the higher fees and enhanced regulation will reduce demand for these loans over the next two years. We estimate the new fee schedule would apply to 120 firms and 390 satellite offices in FY2009-10 and 95 firms and 365 offices in FY 2010-11, with associated declines in application/examination/investigation fee revenue. This bill would allocate a total of \$99,000 to earmarked funds of the AG in FY 2009-10 and \$84,000 in FY 2010-11. It also would allocate a total of \$223,000 to earmarked funds of the DCA in FY 2009-10 and \$161,000 in FY 2010-11. Conversely, we expect offsets from higher fees and enhanced regulation of payday loans to reduce funds earmarked to the CFD within the BFI by \$25,000 in FY 2009-10 and by \$40,000 in FY 2010-11. Since deferred presentment

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fees do not apply to the state's General Fund, the bill would not impact General Fund revenue.

**Explanation of Amendment (February 11, 2009) – By House:** The bill, as amended, raises the total amount advanced to a customer for deferred presentment or deposit in this State, excluding authorized fees, from not more than \$300 to not more than \$600 per transaction. A person is limited to one deferred presentment transaction at a time, which also applies when payment for that transaction is converted to an extended plan. The bill doubles the fee for a license application (from \$250 to \$500), respective annual license renewal fee for the parent company (from \$250 to \$500) and for each location (from \$50 to \$100), and requires proceeds from one half of license fees be shifted from earmarked funds of the Consumer Finance Division (CFD) of the Board of Financial Institutions (BFI) to the Attorney General's Office (AG) in order to establish and maintain a separate enforcement division for deferred presentment.

Based on the current mix of license fees by parent firm and office location, we expect adoption of this bill would apply to 180 active firms with 530 satellite offices in FY 2009-10. Multiplying 180 times the \$250 net increase in application fee per firm yields \$45,000 and multiplying 530 times the \$50 net increase in renewal fee for a satellite office yields \$26,500 in FY 2009-10. This bill would therefore raise earmarked funds of the AG by a total of \$71,500 in FY 2009-10. Conversely, we expect offsets from higher fees and enhanced regulation of payday loans to yield a total loss of \$37,000 in funds earmarked to the CFD within the BFI in FY 2009-10 based on a net decline of 20 firms, 160 offices, and associated license/investigation/examination fees. Since deferred presentment fees do not apply to the state's General Fund, the bill would not impact General Fund revenue in FY2009-10.

/s/ William C. Gillespie  
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Chief Economist

**Analyst:** Di Biase

<sup>1/</sup> This statement meets revenue impact requirements of Section 2-7-71 for a state impact by BEA, Section 2-7-76 for a local impact or Section 6-1-85(B) for an estimate of the shift in local property tax incidence by Office of Economic Research (OER).