

South Carolina Board of Economic Advisors

Statement of Estimated State Revenue Impact

Date: February 25, 2009

Bill Number: S.B. 279

Author: McConnell, Land, Ford, Leatherman, Peeler, Reese, Jackson, L. Martin, Alexander, Knotts, O'Dell, Cromer, Grooms, Bright, Davis, S. Martin, Verdin, Mulvaney, Campsen, Hutto, Coleman, Setzler, Cleary, Campbell and Rose

Committee Requesting Impact: Senate B & I

Bill Summary

A bill to amend Chapter 39 of Title 34, Code of Laws of South Carolina, 1976, relating to deferred presentment services by adding to Section (§) [§34-39-130](#), so as to provide that persons engaging in the business of deferred presentment services must obtain a license pursuant to Chapter 39, Title 34; by adding [§34-39-175](#), so as to establish a deferred presentment transaction database; by amending [§34-39-180](#), so as to limit the amount advanced to a customer for deferred presentment to six hundred dollars; by adding [§34-39-270](#), so as to establish regulations for licensees of deferred presentment transactions; and by adding [§34-39-280](#), so as to determine provisions for deferred presentment extended payment plans.

REVENUE IMPACT ^{1/}

This bill is expected to reduce earmarked funds of the CFD within the BFI by \$37,000 in FY 2009-10. The bill would have no impact on state General Fund revenue.

Explanation

This bill raises the total amount than can be 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. Loan activity would be regulated to ensure only one deferred presentment transaction at a time, and apply to any loan converted to an extended term. Such changes would take effect the later of six months after signature of the bill by the Governor, or at such time as the Board of Financial Institutions (BFI) has a binding contract with a vendor to monitor deferred presentment transactions via an interactive database.

A realistic date to project when the \$600 cap for a payday loan and database verification of loan activity would take effect is – no sooner than January 1, 2010. We expect that the higher fees and enhanced regulation will reduce demand for these loans slightly. The current mix of deferred presenters consists of approximately 200 parent firms and 690 satellite offices. We estimate a total revenue loss of \$37,000 in applicable license/investigation/examination fees in FY 2009-10, based on a net decline of 20 firms and 160 satellite offices. Adoption of this bill would therefore reduce earmarked funds of the Consumer Finance Division (CFD) within the BFI by \$37,000 in FY 2009-10. Since fees for deferred presenters do not apply to the state's General Fund, the bill would not impact General Fund revenue in FY 2009-10.

/s/ William C. Gillespie

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^{1/} 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).