

# South Carolina Board of Economic Advisors Statement of Estimated State Revenue Impact

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**Date:** February 25, 2009

**Bill Number:** S.B. 87

**Author:** Ford

**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 provide for a common database of deferred presentment transactions implemented by the consumer finance division of the Board of Financial Institutions (BFI)... to verify if an applicant has an existing or recently terminated deferred presentment transaction for purposes of determining eligibility... and to allow a fee up to one dollar for submitted data; by adding [§34-39-205](#) so as to prohibit misleading advertising on the premises of a deferred presentment provider; by adding [§34-39-270](#) so as to prohibit a new deferred presentment transaction with a person who has an existing transaction, an extended payment plan, or has ended a transaction earlier than seven days from application, to provide further for the submission of and access to information in the common database, and to provide for a fee and for confidentiality; by adding [§34-39-280](#) so as to provide for an extended payment plan for payment... and the required terms; by adding [§34-39-290](#) so as to require an annual report of these transactions by the BFI to the General Assembly; to amend [§34-39-130](#), relating to licensure requirements... of deferred presentment services...; to amend [§34-39-150](#), ... so as to increase the application fee and annual renewal fee from two hundred fifty dollars to five hundred dollars and the multiple location fee from fifty dollars to one hundred dollars; to amend [§34-39-170](#), ... so as to prohibit an electronic funds transfer for automatic payment of a... transaction; to amend [§34-39-180](#), relating to restrictions and requirements for a deferred presentment transaction, so as to limit the total amount advanced to the lesser of five hundred dollars or twenty-five percent of the customer's gross income during the loan period, to require disclosure of the nature of the transaction and the customer's rights, to prohibit a loan to a person who is engaged in an extended payment plan, and to provide for forms for calculation of permissible loan amounts; and to amend [§34-39-200](#),... so as to require compliance with law when acting for a third-party lender. (... *truncated for space*)

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

This bill is expected to allocate \$10,000 in license fees to Departmental Revenues within the state's General Fund in FY 2009-10, and \$143,000 in FY 2010-11. Conversely, the bill is expected to reduce license revenues earmarked to the CFD within the BFI by \$5,000 in FY 2009-10, and by \$71,500 in FY 2010-11.

**Explanation:** This bill raises the total amount advanced for deferred presentment or deposit in this State, excluding authorized fees, from the current limit of not more than \$300, to lesser of 25% of the customer's gross income during the loan term or \$500. 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. Effective January 1, 2010, certain license fee amounts would double as follows: license application for parent company (from \$250 to \$500), respective annual license renewal of parent company (from \$250 to \$500) and every satellite office (from \$50 to \$100). Collections from these fees would be reallocated to the state's General Fund, whereas such fees are now retained as earmarked funds of the Consumer Finance Division (CFD) within the Board of Financial Institutions (BFI). Initial license fees only apply to the parent company. Renewals apply to parent firm and all satellite offices and currently are annually due in September. As such, fee increases apply to newly licensed parent firms for a six-month term in FY 2009-10, and to any office location in FY 2010-11 and thereafter.

During the second half of FY 2009-10, we expect 20 new firms would be assessed a \$500 application fee. Multiplying 20 times \$500 yields \$10,000. Since application fees would shift to the General Fund, this change would raise Departmental Revenue within the state's General Fund by \$10,000 and, based on former rate of \$250 per application, would conversely reduce earmarked funds of the CFD by \$5,000. We expect new fee rates would apply to 180 active firms with 530 satellite offices in FY 2010-11. Multiplying 180 times the \$500 application fee per firm yields \$90,000 and multiplying 530 times the \$100 satellite office fee yields \$53,000 in FY 2010-11. This bill would therefore allocate a total of \$143,000 in license fees to Departmental Revenues within the state's General Fund in FY 2010-11. Based on existing fee rates, the bill would conversely reduce the total yield in funds formerly earmarked to the CFD by \$71,500 in FY 2010-11.

/s/ William C. Gillespie

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<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).