

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1232-01
Bill No.: HB 379
Subject: Banks and Financial Institutions: Economic Development Dept
Type: Original
Date: February 15, 2005

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
General Revenue	(\$323,871)	(\$306,397)	(\$314,083)
Total Estimated Net Effect on General Revenue Fund	(\$323,871)	(\$306,397)	(\$314,083)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Division of Finance Fund*	\$0	\$0	\$0
Division of Credit Unions Fund*	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds*	\$0	\$0	\$0

***Income from assessments and fees exceeds \$100,000 each year, but is offset by personal services.**

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Mental Health (DMH)** state that since salaries for most DMH employees are set in accordance to the pay plan maintained by the division of personnel, it would appear that this proposed legislation would have no fiscal impact on DMH.

Officials from the **Department of Health and Senior Services (DOHSS)** state that this legislation would not be expected to fiscally impact the operations of DOHSS. If an impact were to result, funds to support the program would be sought through the appropriations process.

Officials from the **Department of Public Safety, Department of Corrections, Department of Labor and Industrial Relations, Department of Social Services - Legal Services, Department of Social Services - Human Resource Center, and Department of Natural Resources** indicate that this proposal will have no fiscal impact on their respective agencies.

Officials from the **Department of Economic Development - Division of Finance (DED-FIN)** state that because DED-FIN is fee-funded and the formula calls for the fees to be calculated, billed and collected at 115% of the Division's operating costs, this proposal would result in an increase in General Revenue of 15% of whatever increase the Division is appropriated.

ASSUMPTION (continued)

Figures shown represent the dollar amount necessary to increase the starting pay for each class to 90% of the starting pay of comparable positions with federal bank regulators. In order to avoid salary compression issues with current staff, the same percentage increase in starting pay is applied to all employees in each pay class.

Officials from the **Department of Economic Development - Division of Credit Unions (DED-CU)** state the DED-CU is funded through assessments the credit unions pay, which will increase as a result of this proposed legislation. Estimates depict the adjustments necessary to increase compensation for each classification of examiners to no more than 90% of their federal counterparts. The same percentage increase in starting pay is applied to all examiners in each shown class.

According to officials from the **Office of Administration - Division of Personnel (OA-DP)**, the fiscal impact of the proposed legislation upon the DP is based on the need of an additional 9 FTE and the associated equipment for the employees to accomplish the classification of about 3500 employees. The estimate does not include the cost of adjusting the pay of individual employees to the appropriate pay range and step.

This proposal will result in an increase in Total State Revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
GENERAL REVENUE			
<u>Transfer In</u> - 15% Transfer from Division of Finance Fund	\$68,751	\$102,020	\$104,571
<u>Cost</u> - OA -Division of Personnel			
Personal Costs	(\$229,774)	(\$282,622)	(\$289,688)
Fringe Benefits	(\$98,022)	(\$120,567)	(\$123,581)
Equipment & Expense	<u>(\$64,826)</u>	<u>(\$5,228)</u>	<u>(\$5,385)</u>
Total OA Costs	(\$392,622)	(\$408,417)	(\$418,654)
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$323,871)</u>	<u>(\$306,397)</u>	<u>(\$314,083)</u>

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2006 (10 Mo.)	FY 2007	FY 2008
DIVISION OF FINANCE FUND			
<u>Income</u> - Assessments & License Fees	\$722,623	\$1,072,301	\$1,099,109
<u>Cost</u> - Personal Costs	(\$458,343)	(\$680,135)	(\$697,139)
<u>Cost</u> - Fringe Benefits	(\$195,529)	(\$290,146)	(\$297,399)
<u>Transfer Out</u> - 15% Transfer to General Revenue	<u>(\$68,751)</u>	<u>(\$102,020)</u>	<u>(\$104,571)</u>
ESTIMATED NET EFFECT ON DIVISION OF FINANCE FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
DIVISION OF CREDIT UNIONS FUND			
<u>Income</u> - Assessments & License Fees	\$106,744	\$131,296	\$134,578
<u>Cost</u> - Personal Costs	(\$74,824)	(\$92,034)	(\$94,335)
<u>Cost</u> - Fringe Benefits	<u>(\$31,920)</u>	<u>(\$39,262)</u>	<u>(\$40,243)</u>
ESTIMATED NET EFFECT ON DIVISION OF CREDIT UNIONS FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small business could have a fiscal impact due to increased assessments and license fees.

DESCRIPTION

This proposal legislation exempts, from merit system rules, those positions in the divisions of Finance and Credit Unions in the Department of Economic Development which are compensated through a dedicated fund obtained from assessments and license fees used for the examination and regulation of banks, trust companies, and credit unions.

The directors of these divisions will prepare a salary schedule for those positions. A comparison with similar positions at federal regulatory agencies will be completed, and in no instance will the compensation for state examiners be more than 90% parity for the corresponding federal positions in similar geographic locations as determined by the directors. Personnel will be compensated according to the schedule.

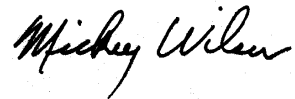
Costs incurred in the regulation of any bank, trust company, or other corporation will be reviewed at least annually by the Division of Finance to determine whether regulatory costs are offset by the fees and charges collected. The director will revise the fees to the extent allowed by law or recommend to the General Assembly the necessary statutory changes to fully recover the costs.

Any interest earned in the dedicated funds will be used, upon appropriation, for the expenditures of the divisions in the succeeding fiscal year and will be applied to reduce the amount of the annual assessment an institution is charged.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Economic Development
 Division of Finance
 Division of Credit Unions
Office of Administration
 Division of Personnel
Department of Mental Health
Department of Health and Senior Services
Department of Labor and Industrial Relations
Department of Social Services
 Division of Legal Services
 Human Resources Center
Department of Corrections
Department of Natural Resources



Mickey Wilson, CPA
Director
February 15, 2005