

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5768H.011
 Bill No.: HB 2886
 Subject: Credit Unions; Business and Commerce
 Type: Original
 Date: April 8, 2024

Bill Summary: This proposal modifies credit union examination requirements and standards.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Credit Union Fund	(Less than \$234,194)	(Less than \$285,753)	(Less than \$290,567)
Total Estimated Net Effect on <u>Other</u> State Funds	(Less than \$234,194)	(Less than \$285,753)	(Less than \$290,567)

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Credit Union Fund	3 FTE	3 FTE	3 FTE
Total Estimated Net Effect on FTE	3 FTE	3 FTE	3 FTE

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Section 370.120 – Credit Union Examiners Requirements

Officials from the **Department of Commerce and Insurance (DCI)** assume the additional examination requirements will require an increase of 3 FTE; 2 Assistant Credit Union Examiners (\$59,000 each) and 1 Administrative Support Assistant (\$34,080), and additional E&E for examiner travel expenses (\$12,475 each). These additional expenditures will require a corresponding increase in revenues via increasing annual fee assessments levied on state-chartered credit unions. Unknown costs will be incurred by OA/ITSD for additional IT services required for website access to public reports (sortable by credit union, metropolitan area, county, municipality).

Oversight will reflect the estimated FTE expense provided by DCI, however, Oversight assumes an increase in annual fee assessments levied on state-chartered credit unions will reduce any expenses incurred by the new requirements. Oversight will reflect the total estimated net effect to the Credit Union Fund (0548) as “less than” the FTE and IT services expense.

Rule Promulgation

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the Secretary of State (SOS)** note many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$5,000. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with its core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
CREDIT UNION FUND (0548)			
<u>Revenue</u> – DCI §370.120 Annual Fee Assessment	Unknown	Unknown	Unknown
<u>Cost</u> – DCI §370.120			
Personal Service	(\$126,733)	(\$155,122)	(\$158,224)
Fringe Benefits	(\$86,669)	(\$105,182)	(\$106,385)
Equipment and Expense	(\$20,792)	(\$25,449)	(\$25,958)
Other Cost – ITSD	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
<u>Total Cost</u> – DCI	<u>(Greater than \$234,194)</u>	<u>(Greater than \$285,753)</u>	<u>(Greater than \$290,567)</u>
FTE Change - DCI	3 FTE	3 FTE	3 FTE
ESTIMATED NET EFEFCT TO THE CREDIT UNION FUND (0548)	<u>(Less than \$234,194)</u>	<u>(Less than \$285,753)</u>	<u>(Less than \$290,567)</u>
Estimated Net FTE Change to the Credit Union Fund (0548)	3 FTE	3 FTE	3 FTE

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

A direct fiscal impact to credit unions could be expected as a result of this proposal.

FISCAL DESCRIPTION

This bill adds provisions to existing law on the examination of credit unions by the Director of the Division of Credit Unions within the Department of Commerce and Insurance. The Director must assess how well the credit union meets the needs of its entire community, with the results to be presented in a confidential written report to preserve commercially sensitive information or personal information and identities of individuals. The results must also be presented to the public in a written report, with contents as provided in the bill. The information must be presented for specified geographical areas and must have a rating that is one of four levels:

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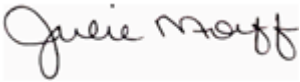
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outstanding; satisfactory; needs to improve; and substantial noncompliance. Credit unions with "needs to improve" or "substantial noncompliance" ratings must submit a written corrective action plan. The bill details the Director's options in accepting or rejecting the plan.

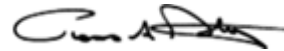
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Commerce and Insurance
Office of the Secretary of State
Joint Committee on Administrative Rules



Julie Morff
Director
April 8, 2024



Ross Strobe
Assistant Director
April 8, 2024