

Statement of Estimated State Revenue Impact

Date: May 21, 2013

Bill Number: S.B. 658

Authors: Rankin, Malloy and Lourie Committee Requesting Impact: Senate Judiciary

Bill Summary

A bill to amend the Code of Laws of South Carolina, 1976, by adding Section 16-13-485 so as to provide that it is unlawful to engage in the business of deferred presentment services in this State and to provide a civil penalty; and to repeal Chapter 39, Title 34 relating to deferred presentment services.

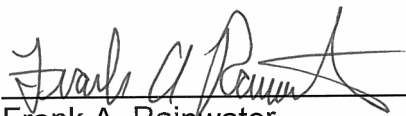
REVENUE IMPACT ^{1/}

This bill is expected to reduce respective earmarked funds of the Consumer Finance Division (CFD) of the State Board of Financial Institutions (BFI) by a total of \$117,925 and the Office of the Attorney General (AG) by \$65,875 in FY 2013-14, and annually thereafter. The bill would not impact state General Fund revenue.

Explanation

Upon approval, this bill repeals applicable statutes to make it unlawful to conduct the business of deferred presentment services in this State. Act 78 of 2009 established current licensing provisions for firms to accept a check dated for deferred presentment (DP) or deposit up to an amount of \$550. A firm is allowed to charge and retain a fee set at 15% of the principal amount advanced. A person is limited to one DP transaction at a time, which also applies when payment for that transaction is converted to an extended plan. To provide this service, a firm must pay an initial application fee of \$1,000, which serves as fee for first annual term or its remainder, and an investigation fee of \$500. Both fees are nonrefundable with all proceeds retained by the CFD. Thereafter, renewal fees are set at \$1,000 for primary location and \$250 for each satellite office. Pursuant to Section 34-39-150 (E), of total renewal fee collections, half is allotted to the CFD within BFI to support enforcement and half to the AG to use in prosecuting violations under Chapter 39 of Title 34. No fees go to the state's General Fund. Also, the firm and check presenter split the cost of a database verification fee of up to \$1 (currently \$.80) per transaction that is rebated to vendor under contract to monitor the DP database.

We expect adoption of this bill would result in total loss of fee revenue in FY 2013-14 and thereafter. Based on records of the CFD, 60 firms with 287 satellite offices are currently licensed. Multiplying 60 times a \$1,000 renewal fee per firm yields \$60,000 and multiplying 287 times a \$250 renewal fee for a satellite office yields \$71,750, to total \$131,750 in lost renewal fees upon repeal. Of this total loss, equal portions of \$65,875 apply to the CFD and to the AG, respectively. Additionally, the CFD would lose proceeds from examining fees, which average \$150 per audit. Multiplying 347 offices times \$150 yields \$52,050 in lost examination fee revenue to the CFD. This bill would therefore reduce earmarked funds of the CFD within the BFI by a total loss of \$117,925 and also reduce earmarked funds of the AG by \$65,875 in FY 2013-14, and annually thereafter. Since deferred presentment fees do not apply to the state's General Fund, the bill would not impact General Fund revenue.



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Analyst: Di Biase

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