Department of Fiscal Services

Maryland General Assembly

FISCAL NOTE
Revised

House Bill 1260 (Chairman, Commerce and Government Matters Committee)
(Departmental - Labor, Licensing, and Regulation)
Commerce and Government Matters Referred to Finance

Commissioner of Financial Regulation

This amended departmental bill establishes the Office of the Commissioner of Financial Regulation within the Department of Labor, Licensing, and Regulation and abolishes the offices of the State Bank Commissioner and the Commissioner of Consumer Credit. The Commissioner of Financial Regulation will be appointed by the Secretary of Labor, Licensing, and Regulation (DLLR) with the approval of the Governor and advice and consent of the Senate. The Commissioner of Financial Regulation will appoint a Deputy Commissioner. The Commissioner and the Deputy Commissioner must have at least five years of experience in State or national banking regulations or management. Former duties of the State Bank Commissioner and the Commissioner of Consumer Credit are transferred to the Commissioner of Financial Regulation.

The bill alters the examination requirements for banks and credit unions by providing that a bank or credit union must be examined once each calendar year unless the Commissioner determines that an examination is unnecessary. In any event, an examination must occur at least once every 18 months.

The effective date of the bill is July 1, 1996.

Fiscal Summary

State Effect: General fund expenditures would decrease by $218,700 in FY 1997 as a result of the consolidation of the offices of the Bank Commissioner and the Commissioner of Consumer Credit. Future year expenditure reductions reflect full salaries with adjustments for turnover and inflation. In addition, general fund expenditures would decrease by $229,500 as a result of a decrease in the number of financial examinations required. However the Governor's FY 1997 budget allowance reflects the $229,500 reduction, although the reduction is not contingent on the enactment of this bill. Therefore, in relation to the budget, general fund expenditures would decrease by $218,700 in FY 1997. Revenues would not be affected.

(in dollars)	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
GF Revenues	$0	$0	$0	$0	$0
GF Expenditures	(218,700)	(240,400)	(249,000)	(258,000)	(267,300)
Net Effect	$218,700	$240,400	$249,000	$258,000	$267,300

Note: ( ) - decrease; GF - general funds; FF - federal funds; SF - special funds

Local Effect: None.

Small Business Effect: The Department of Labor, Licensing, and Regulation has determined that this bill has minimal or no impact on small business (attached). Fiscal Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

Fiscal Analysis

State Expenditures: This bill consolidates the offices of the Bank Commissioner and the Commissioner of Consumer Credit which will create efficiencies in administration and in handling consumer complaints. As a result, three positions can be eliminated from the Division of Financial Regulation including the positions of the State Bank Commissioner and Deputy Bank Commissioner. General fund expenditures will decrease by $218,714 in fiscal 1997 which includes salaries of $172,245, fringe benefits, ongoing operating costs, and reflects a one-month start-up delay. Future year expenditure reductions include (1) full salaries with 3.5% annual increases and 3% employee turnover; and (2) 2% increases in ongoing operating expenses.

In addition, the bill alters the examination requirements for banks and credit unions which could reduce the workload for the division's Financial Examiners by one-third. As a result, six Financial Examiners could be eliminated resulting in a reduction in general fund expenditures of $229,500. DLLR advises that these six positions and the expenditure reduction are reflected in the Governor's fiscal 1997 budget, although these reductions are not contingent on the enactment of this bill. To the extent that the fiscal 1997 budget allowance already reflects the reduction, this provision would have no fiscal effect.

After the reorganization, the Division of Financial Regulation will have 39 employees and a fiscal 1997 budget of about $2.1 million. This figure includes the $1.2 million general fund allowance included in the Governor's proposed fiscal 1997 budget for the Office of the State Bank Commissioner, the $1.1 million general fund allowance for the Office of the

Commissioner of Consumer Credit, and a $200,000 adjustment for the position eliminations identified above.

Information Source(s): Department of Labor, Licensing, and Regulation (Commissioner of Consumer Credit); Department of Fiscal Services

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Analysis by: Tina Bjarekull
Reviewed by: John Rixey
Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 841-3710
(301) 858-3710