

Department of Legislative Services
 Maryland General Assembly
 2000 Session

FISCAL NOTE
 Revised

Senate Bill 450 (Senator Currie. *et al.*)

Finance

Check Cashing Services - Licensing - Maximum Fees

This bill requires check cashing services, with specified exceptions, to be licensed by the Commissioner of Financial Regulation. The Commissioner has enforcement powers and may investigate a licensee's or a specified exempt entity's records and business operations. Violators of the bill are subject to criminal and civil penalties.

Fiscal Summary

State Effect: General fund expenditures could increase by \$627,000 in FY 2001, reflecting the bill's October 1, 2000 effective date. Out-year projections reflect annualization and inflation. General fund revenues could increase by \$550,000 in FY 2001. Out-year projections reflect the biennial licensing cycle and industry growth and attrition.

(in dollars)	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
GF Revenues	\$550,000	\$6,000	\$501,000	\$6,000	\$501,000
GF Expenditures	\$627,000	\$667,700	\$689,500	\$712,300	\$736,000
Net Effect	(\$77,000)	(\$661,700)	(\$188,500)	(\$706,300)	(\$235,000)

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

Local Effect: None.

Small Business Effect: Meaningful.

Analysis

Bill Summary: This bill requires check cashing services, with certain exceptions, to be licensed by the Commissioner of Financial Regulation. To qualify for a license, an applicant must not have committed any act that would be a ground for suspension or revocation of a license under the bill. The bill requires an applicant to undergo a background investigation, for which a \$100 fee is charged. The licensing fee is \$1,000 for applications filed in even numbered years and \$500 for applications filed in odd numbered years. All licenses must be renewed for two years or will expire on December 31 of odd numbered years. The bill requires a separate license, background investigation, and associated fees for each place of business at which check cashing services are provided. The bill requires licensees and specified exempt entities to post a notice of their fees and pay the face value of the instrument received less the fee charged. The bill limits the fees a licensee or exempt entity may charge for cashing a check. In addition to the check cashing fee, a licensee or exempt entity may charge a one-time membership fee of up to \$5. The Commissioner may investigate a licensee's or an exempt entity's records and business operations as often as appropriate.

After a hearing, the Commissioner may issue a cease-and-desist order and suspend or revoke a license for a violation of the bill. The Commissioner may also suspend or revoke a license for other specified acts, including making a material misstatement in a license application.

A knowing violation of the bill is a misdemeanor, punishable by a fine of up to \$5,000 or imprisonment for up to three years, or both. The Commissioner may also impose civil penalties for a violation of the bill of up to \$1,000 for the first offense and up to \$5,000 for subsequent offenses.

A person injured by a violation of the bill has a private cause of action at which a court may award: (1) up to three times the amount of actual damages; and (2) the amount paid by the plaintiff to the defendant, reasonable attorney's fees, and costs.

Current Law: The check cashing industry is not regulated by the State.

State Fiscal Effect: This bill represents a new area of regulation for the Commissioner. The Commissioner estimates that approximately 500 businesses would become subject to regulation under this bill. General fund expenditures could increase by an estimated \$627,000 in fiscal 2001, which accounts for the bill's October 1, 2000 effective date. This estimate reflects the cost of hiring seven financial examiners, one assistant attorney general, and one administrative specialist to regulate the check cashing industry. It includes salaries, fringe benefits, one-time start-up costs, examiner travel and training expenses, fees paid to the Office of Administrative Hearings, and other ongoing operating expenses.

Salaries and Fringe Benefits	\$290,600
Administrative hearings	161,300
Other Operating Expenses	<u>175,100</u>
Total FY 2001 State Expenditures	\$627,000

Future year expenditures reflect (1) full salaries with 4.5% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

All existing check cashing businesses would require background investigations and investigations in calendar 2000. The revenues would appear in fiscal 2001. The fee for background investigations is \$100, and the licensing fee is \$1,000 for two years. If all 500 current check cashing locations were to continue operations, general fund revenues could increase by \$550,000 in fiscal 2001. Out-year projections assume 2% growth and attrition rates. Thus, general fund revenues would be \$501,000 from licensing fees and background investigations in even numbered calendar years. These revenues would appear in odd numbered fiscal years. In odd numbered calendar years (even numbered fiscal years), general fund revenues from license fees and background investigations could be approximately \$6,000.

The civil and criminal penalty provisions of this bill are not expected to significantly affect State finances or operations.

General funds totaling \$491,375 were included in the fiscal 2001 budget contingent on the passage of SB 872/HB 1337 for credit regulation of mortgage lenders, SB 830/HB 727 for investigative and enforcement powers of the Commissioner, and SB 450/HB 516 for the licensing of check cashing services.

Small Business Effect: To the extent small businesses enter or remain in the check cashing field, they will be regulated and subject to civil and criminal penalties for their actions. Costs would increase from licensing fees and compliance costs.

Additional Information

Prior Introductions: Similar bills were introduced in the 1998 and 1999 sessions. In 1999, HB 946 was withdrawn. In 1998, HB 799 received an unfavorable report from the House Economic Matters Committee.

Cross File: HB 516 (Delegate Bobo, *et al.*) - Commerce and Government Matters.

Information Source(s): Department of Labor, Licensing, and Regulation (Commissioner of Financial Regulation); Department of Public Safety and Correctional Services (Division of Correction); Office of Administrative Hearings; Department of Legislative Services

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