SB 88

Department of Legislative Services

Maryland General Assembly
2016 Session

FISCAL AND POLICY NOTE
Enrolled - Revised

Senate Bill 88 (Chair, Finance Committee)(By Request - Departmental - Labor, Licensing and Regulation)

Finance Economic Matters

Commissioner of Financial Regulation - Consolidation of Nondepository Special Funds

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This departmental bill combines three special funds (the Mortgage Lender-Originator Special Fund, the Debt Management Services Special Fund, and the Money Transmission Special Fund) into a single new special fund (the Nondepository Special Fund). All revenues remain the same under one consolidated special fund as they currently exist for the three separate funds. No changes to any licensing or other fees occur from this change, and fines and penalties collected by the Commissioner of Financial Regulation continue to be paid into the general fund.

The bill takes effect July 1, 2016.

Fiscal Summary

State Effect: None. The change is technical in nature and does not directly affect governmental finances. Increased administrative efficiencies are anticipated for the Office of the Commissioner of Financial Regulation.

Local Effect: None.

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

Analysis

Current Law/Background: The three existing special funds support licensing, registration, examination, and complaint resolution activities executed by the same units within DLLR. Each fund is supported by licensing, registration, and examination fees collected by the agency.

The Office of the Commissioner of Financial Regulation, located within DLLR's Division of Financial Regulation, is responsible for licensing and regulating mortgage lenders, brokers, servicers and loan originators, sales finance companies, consumer loan lenders, money transmitters, check cashers, installment loan lenders, credit reporting agencies, consumer debt collection agencies, debt management services providers, debt settlement services providers, and credit services businesses. The office is divided into six units: depository corporate applications, depository supervision, nondepository licensing, nondepository supervision and compliance, enforcement, and consumer services.

The department advises that maintaining three separate special funds is an administrative burden. Personnel costs must be allocated among three funds even though activities are managed and conducted in the same unit. For example, the consumer services unit responds to all complaints, and the licensing unit handles applications across all three categories of special funds – but employees' salaries must be allocated among the three funds. Combining the funds eliminates the need to prepare multiple budgets and likely increases administrative efficiency.

Appendix 1 shows a hypothetical consolidated Nondepository Special Fund using fiscal 2015 data provided by DLLR.

Additional Comments: The bill recognizes the current revenue stream from debt settlement services providers and authorizes the new consolidated special fund to be used to cover the costs of regulating them. Regulation of debt settlement services providers is scheduled to terminate June 30, 2016. However, Senate Bill 471 and House Bill 1450 of 2016, enacted as Chapters 392 and 393, make permanent the regulation of debt settlement services providers under the Maryland Debt Settlement Services Act (Title 12, Subtitle 10 of the Financial Institutions Article).

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Labor, Licensing, and Regulation; Department of Legislative Services

Fiscal Note History: First Reader - January 13, 2016
min/kdm Revised - Senate Third Reader - March 15, 2016
Revised - Updated Information - May 13, 2016

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Appendix 1 – Comparison of Existing Special Fund Balances And New Consolidated Nondepository Special Fund Using Fiscal 2015 Data

	Mortgage Lender-Originator	Money Transmission	Debt Management	Consolidated Nondepository
Special Fund Balance Carried Forward on July 1, 2014	**$5,311,168**	**$40,284**	**$32,631**	**$5,384,083**
Revenue				
Licensing & Investigation Fees	$5,186,629	$326,000	$18,792	$5,531,421
Examination Fees	310,497	34,380	6,962	351,839
Miscellaneous Income/Other	26,409	(1)	(173)	26,235
BRFA Transfer	(3,000,000)	0	0	(3,000,000)
Total Revenue	**$2,523,535**	**$360,379**	**$25,581**	**$2,909,495**
Expenditures				
Salaries and Benefits	$3,102,605	$163,750	$85,113	$3,351,468
Technical and Special Fees	283,029	0	0	283,029
Communication	63,105	1,653	913	65,671
Travel/Training	45,571	18,529	9,432	73,532
Lease Expense, Parking Facilities	27,720	1,848	924	30,492
Contractual Services	84,716	8	4	84,728
Supplies and Materials	44,598	112	0	44,710
Equipment	25,015	0	0	25,015
Fixed Charges, Rent	160,833	3,547	0	164,380
Administrative Expenses	541,205	26,326	16,585	584,116
Total Expenditures	**$4,378,397**	**$215,773**	**$112,971**	**$4,707,141**
Net Revenue for FY 2015	**($1,854,862)**	**$144,606**	**($87,390)**	**($1,797,646)**
Special Fund Balance Carried Forward on July 1, 2015	**$3,456,306**	**$184,890**	**($54,759)**	**$3,586,437**

BRFA = Budget Reconciliation and Financing Act

Note: Chapter 489 of 2015, more commonly known as BRFA, required the transfer of $3 million from the Mortgage Lender-Originator Special Fund to the general fund in fiscal 2015.

Source: Department of Labor, Licensing, and Regulation

ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: **Consolidation of Non-Depository Special Funds**

BILL NUMBER: SB 88

PREPARED BY:

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

_x_ WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

___ WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

We do not believe there will be any impact on small businesses as a result of this legislation.