

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 482** HLS 21RS 526

Bill Text Version: **ENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: April 14, 2021 2:19 PM	Author: WRIGHT
Dept./Agy.: Office of Financial Institutions	Analyst: Monique Appeaning
Subject: Regulatory Sandbox Program	

FINANCIAL INSTITUTIONS EG INCREASE SG EX See Note Page 1 of 1
Creates a regulatory sandbox program within the office of financial institutions

Proposed law directs the Office of Financial Institutions (OFI) to create and administer a regulatory sandbox program. Proposed law directs OFI to establish specific standards and procedures for application, collect an application fee, establish standards of review and procedures for approval and denial of a regulatory sandbox program. Proposed law directs OFI to consult with applicable agencies. Proposed law authorizes OFI to enter into agreements or follow best practices of the Consumer Financial Protection Bureau or other states that administer similar programs. Proposed law provides that sandbox participants do not have immunity related to any criminal offense committed during the sandbox participant's participation in the regulatory sandbox. Proposed law provides for specific consumer protections. Proposed law provides definitions. Proposed law provides for specific "requirements for exit", extensions, record keeping, and reporting requirements of sandbox participants. Proposed law directs OFI to provide a specific annual written report on or before October 1st of each year to House Committee on Commerce and Senate Committee on Commerce, Consumer Protection, & International Affairs.

EXPENDITURES	2021-22	2022-23	2023-24	2024-25	2025-26	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total						

REVENUES	2021-22	2022-23	2023-24	2024-25	2025-26	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total						

EXPENDITURE EXPLANATION

Proposed law would likely result in new costs for the OFI to set up and administer a new regulatory sandbox program (SGR expenses and possibly SGF as well). OFI estimates the need for 1.75 FTEs of staff time in FY 22 for roughly half the year, then all year in FY23 and beyond; costing about \$126,000 in FY22, then stepping up to \$207,000 in FY23, and growing from that level to \$233,000 by FY26. First year cost details are delineated below, and are based on an OFI assumption of at least 5 applications for the new program each year (actual costs will depend on the number and complexity of applications to participate in the program).

- 1) Attorney III (1/2 FTE) salary = \$20,611 + \$11,040 for employee benefits = \$31,651;
- 2) Reviewer Examiner (1/2 FTE) salary = \$20,611 + \$11,040 for employee benefits = \$31,651;
- 3) Examiner III (1/2 FTE) salary = \$18,003 + \$9,994 for employee benefits = \$27,997;
- 4) Administrative Program Specialists A (1/4 FTE) salary = \$6,418 + \$3,961 for employee benefits = \$10,379;
- 5) Computer Equipment - \$4,000;
- 6) Programming Costs for system modifications related to new financial technology regulatory sandbox program - \$20,000

FY 22 Total Dollar Amount of Expenditures = \$125,677. Estimates include salaries, employee benefits (retirement and insurance), and \$4,000 for computer equipment. System modifications are required to add the workflow for this new regulatory sandbox program to OFI's current workflow system. Based on historical workflow programming, \$20,000 of associated programming costs could be incurred. Three of the positions are estimated at one-half the annual salary for FY 22 through FY 26, and one of the positions is estimated at one-fourth of the annual salary for the same time period. The out-year projections include market adjustments and reallocations (if applicable).

REVENUE EXPLANATION

Proposed law would likely result in an increase in SGR revenue to OFI from fees authorized for the sandbox program. Proposed law will presumably result in an increase in the volume of applications received and processed by OFI, and authorizes a fee for the application to be established through the rulemaking process. OFI assumes at least 5 applications per year, and suggested a \$2,000 application fee generating the following revenue scenario:

- FY 22, FY 23, FY 24, FY 25, and FY 26
- Average # of new applications per year 5 X \$2,000 application fee = \$10,000
- Total Dollar Amount of Revenue per year = \$10,000 (\$10,000 x 5 years = \$50,000)

Based upon the revenue and expenditure projections above, OFI projects program expenditures to exceed fee revenue each fiscal year; although, funding deficiencies can be addressed to some extent by a higher fee levy.

Annual fee receipts will depend on the number of applications and the specific fee promulgated by OFI. In addition, while under this scenario OFI anticipates program costs in excess of program fee revenue, the agency generates excess fee revenue in the aggregate annually that could cover excess costs of the new program. However, total agency fee collections in excess of those budgeted are already incorporated into the Revenue Estimating Conference (REC) forecast as SGF resources. Utilization to cover new program costs would be reflected in a reduction in SGF resources for the state operating budget in general. The REC's 1/19/21 adopted forecast contains \$10.7 M of excess fee revenue expected from OFI.

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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