



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2023 Biennium

Bill # SB0308

Title: Revise the Montana Building and Loan Associations Act.

Primary Sponsor: Welborn, Jeffrey W

Status: As Introduced

- Significant Local Gov Impact
 Needs to be included in HB 2
 Technical Concerns
 Included in the Executive Budget
 Significant Long-Term Impacts
 Dedicated Revenue Form Attached

FISCAL SUMMARY

	<u>FY 2022</u> <u>Difference</u>	<u>FY 2023</u> <u>Difference</u>	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$7,700	\$0	\$5,075	\$0
Revenue:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$10,295	\$17,590	\$17,590	\$17,590
Net Impact-General Fund Balance:	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal impact: This bill repeals 77 current statutes pertaining to Building and Loan Associations, a type of financial institution regulated by the Department of Administration, and provides for the establishment of [a] new form(s) of financial institution(s) and a framework for regulatory oversight. SB 308 could have a potential impact on the Department of Corrections if there are any cases which could be prosecuted due to the changes proposed in this bill.

FISCAL ANALYSIS

Assumptions:

Department of Administration

1. The department assumes that one federal savings association will convert to a state mutual savings and loan association (state savings association) in fiscal year 2022. The department also assumes that it will not receive any applications for the formation of a new state savings association.
2. Section 27 of the bill provides that the department may adopt a rule to establish a fee for a federal mutual savings and loan association to convert into a state savings association. The department assumes it will adopt a rule establishing a conversion fee of \$1,500.

3. Section 7 of the bill provides that each mutual association shall pay to the department fees set by the department by rule to recover all the costs of administering the program for supervision of mutual associations. The department assumes that it will adopt a rule establishing semi-annual assessments for state savings associations. It is assumed that the semi-annual assessment will be identical to the calculation of the semi-annual assessment paid by state-chartered banks and credit unions.
4. The department estimates that the semi-annual assessment paid by the federal savings association that may convert to a state savings association will be \$8,795 in fiscal year 2022, when only the second semi-annual assessment will be paid based upon the likely timing of the conversion. The semi-annual assessments paid by the state savings association in fiscal year 2023 will be approximately \$17,590.
5. The department will propose new administrative rules (similar to those for state-chartered banks and credit unions) to implement the provisions contained within this bill. The cost of rulemaking includes the publication charges in the administrative rule register. The department estimates that this will result in expenses of \$2,700 in fiscal year 2022.
6. The department assumes that it will conduct one examination of a state savings association in fiscal year 2022 and one examination in fiscal year 2024. For fiscal year 2022, expenses for the examiner team's per diem, lodging, other travel, and examination related expenses are estimated to be \$5,000. This cost has been inflated by 1.15% for fiscal year 2024.

Department of Corrections

7. Bill Sections 5, 10, 68, 72, 76, 130 (perhaps others) touch on criminal conduct and criminal penalties. The penalties range from imprisonment not to exceed 10 years and fines not to exceed \$5,000, or both (but a mandatory minimum sentence of imprisonment for not less than 1 year if the perpetrator has a prior financial-related felony conviction). The criminal penalties contained in this bill for other types of financial-institution-related offenses include imprisonment not to exceed 20 years and a fine not to exceed \$50,000, or both.
8. The Department of Corrections (DOC) has record of 23 fraud convictions but no convictions under title 32, which is what the language in SB 308 falls under.
9. If a person is convicted of a felony under this language, the cost of incarceration is \$41,803 per year per male inmate and \$42,402 per year per female inmate
10. The bill appears to adapt much of the regulatory framework and identification of criminal conduct and criminal penalties as are already in place for the establishment, operation, safety/soundness standards, and liquidation/closing of banks and credit unions. Thus, the impact of SB 308 on DOC would likely be similar to any impact that existing financial institution-related crimes and penalties arising out of banking and credit union activities have had on the DOC in years past.

Department of Justice

11. Implementation of SB 308 may cause evidence to be referred to the attorney general, or proper prosecuting attorney, who may institute the appropriate criminal proceeding under the chapter. Any workload required will be covered within the Department of Justice's existing House Bill 2 resources.

Fiscal Note Request – As Introduced

(continued)

	<u>FY 2022</u> <u>Difference</u>	<u>FY 2023</u> <u>Difference</u>	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>
<u>Fiscal Impact:</u>				
FTE	0.00	0.00	0.00	0.00
<u>Expenditures:</u>				
Personal Services	\$0	\$0	\$0	\$0
Operating Expenses	\$7,700	\$0	\$5,075	\$0
TOTAL Expenditures	<u>\$7,700</u>	<u>\$0</u>	<u>\$5,075</u>	<u>\$0</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$7,700	\$0	\$5,075	\$0
TOTAL Funding of Exp.	<u>\$7,700</u>	<u>\$0</u>	<u>\$5,075</u>	<u>\$0</u>
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$10,295	\$17,590	\$17,590	\$17,590
TOTAL Revenues	<u>\$10,295</u>	<u>\$17,590</u>	<u>\$17,590</u>	<u>\$17,590</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$2,595	\$17,590	\$12,515	\$17,590

NO SPONSOR SIGNATURE

Sponsor's Initials

2/24

Date

KA

Budget Director's Initials

2/25/21

Date