

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 3511 - SB 3800

February 26, 2010

SUMMARY OF BILL: Requires preference be given to banks or other financial institutions that agree to provide low dollar loans to Tennessee citizens when decisions are being made by appropriate officials of governmental entities concerning the deposit of state or local funds with a bank or financial institution. Requires banks and other financial institutions to file their intent of making such low dollar loans with the government entity, and file an annual report showing the number of low cost loans made during the year. Defines low dollar loan as loans of less than \$500.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Exceeds \$100,000
Increase State Expenditures – Exceeds \$5,000

Decrease Local Revenue – Exceeds \$100,000
Increase Local Expenditures – Exceeds \$10,000/Permissive

Assumptions:

- The fiscal impact of this bill is dependent upon several unknown factors such as the extent to which financial institutions (ones making loans less than \$500 to Tennesseans) are utilized for the deposit of state and local government funds, the extent of funds actually deposited, any net change of interest earnings, any net change to financial services fees charged to governmental entities, and any net change to the probability of asset erosion due to changes in investment risk and institutional risk.
- According to the Department of the Treasury, interest earnings for state and local governments are likely to be impacted in a negative manner. Any resulting decreases to state and local government revenue are unknown and difficult to quantify due to the extent of unknown factors. However, the decreases to state and local government revenue are each reasonably estimated to exceed \$100,000 per year.
- It is estimated that there will be an increase to state and local government expenditures as the result of paying additional financial service fees across a greater number of financial institutions, and for processing and analyzing annual reports received from financial institutions that make low dollar loans. The increase to state expenditures is reasonably estimated to exceed \$5,000 per year.

- For local government entities electing to deposit funds with financial institutions that make low dollar loans, the permissive increase to local government expenditures is estimated to exceed \$10,000 per year.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is written in a cursive style with a large initial "J" and "W".

James W. White, Executive Director

/rnc