

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 1478 – HB 1550

February 19, 2014

SUMMARY OF ORIGINAL BILL: Deletes the prohibition that only depository institutions, or their affiliates, may own, establish, or operate electronic cash dispensing devices in Tennessee.

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

IMPACT TO COMMERCE OF ORIGINAL BILL:

Other Fiscal Impact – Deleting the prohibition that only depository institutions, or their affiliates, may own, establish, or operate electronic cash dispensing devices in Tennessee will result in a decrease in revenue for national or Tennessee chartered banks and an equivalent decrease in expenditures for independent ATM deployers (IADs). The number of IAD-owned ATM machines in Tennessee will likely increase as a result of this bill. However, due to many unknown variables, any subsequent commerce and jobs impacts associated with such increase cannot be determined with reasonable certainty.

SUMMARY OF AMENDMENT (012111): Deletes Section 1 of original bill and substitutes language that specifies that a person other than a depository institution may own or operate, alone or in combination with other persons, one or more electronic cash dispensing devices in Tennessee, only if such devices do not receive money on deposit.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Unchanged from the original fiscal note.

Assumption for the bill as amended:

- According to the Department of Financial Institutions, apart from minor changes to examination procedures, this bill will not result in a significant impact on the Department's regulatory jurisdiction, policies and procedures. Therefore, any fiscal impact to the Department is estimated to be not significant.

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IMPACT TO COMMERCE WITH PROPOSED AMENDMENT:

Other Impact – Authorizing a person, other than a depository institution, to own, establish, or operate electronic cash dispensing devices in Tennessee, other than devices that receive money on deposit, will result in a decrease in revenue for national or Tennessee chartered banks and an equivalent decrease in expenditures for independent ATM deployers (IADs). The number of IAD-owned ATM machines in Tennessee will likely increase as a result of this bill. However, due to many unknown variables, any subsequent commerce and jobs impacts associated with such increase cannot be determined with reasonable certainty.

Assumptions for the bill as amended:

- Under current law, independent non-bank ATM operators or deployers (IADs) must pay a national or Tennessee chartered bank a fee for the privilege of the bank agreeing to operate such ATM in conjunction with the IAD.
- According to the ATM Industry Association, there are approximately 222,500 IAD-owned ATMs in the U.S., of which only approximately 3,000 are located in Tennessee.
- Authorizing a person, other than a depository institution, to own, establish, or operate electronic a cash dispensing device in Tennessee, other than a device that receives money on deposit, will likely result in an increase in IAD-owned ATMs, as IADs will no longer be required to pay the privilege fee to depository institutions for such devices. The reduction in IAD expenditures will be equal to the reduction in fee revenue to depository institutions.
- Due to many unknown variables, such as the number of new IAD-owned ATMs that will result from this bill, the average fee amount that depository institutions currently charge for the privilege of operating an ATM, the average profit margins for IAD-owned ATMs, and the extent of new incremental income for Tennessee merchants who will offer ATM services upon passage of this bill, any subsequent impacts on commerce and jobs as a result of the increased number of IAD-owned ATMs in the state cannot be determined with reasonable certainty.

CERTIFICATION:

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



Lucian D. Geise, Executive Director

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