

FISCAL NOTE
Requested by Legislative Council
01/11/2021

Bill/Resolution No.: HB 1268

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2019-2021 Biennium		2021-2023 Biennium		2023-2025 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues				\$132,000		\$132,000
Expenditures				\$937,000		\$937,000
Appropriations				\$828,000		\$828,000

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2019-2021 Biennium	2021-2023 Biennium	2023-2025 Biennium
Counties			
Cities			
School Districts			
Townships			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

HB 1268 establishes a financial technology sandbox program for innovative financial products. This is a new program which will be administered by the Department of Financial Institutions.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Since this is a new program to be established, all costs to implement such program must be appropriated. Funding source to cover expenses is unknown since the Department of Financial Institutions is a special fund agency. Industries regulated fund their own costs, and one industry does not subsidize costs of other regulated industries. Costs would be incurred prior to any revenue being generated and proposed application revenue structures fall short of expected expenses.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

Revenue is \$500 per application received. Based on data from other states, approved applications range from 0 to 8, so maximum expected revenue is \$4,000 in fees. The bill does allow for the Department of Financial Institutions to bill for examination fees, and an estimate of 4 companies in a biennium, examination costs are \$64,000.

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

\$859,000 - Salaries (3 new FTEs plus 10% salary of 3 senior management to account for time spent)
\$78,000 - Operating (\$45,000 - training, \$12,000 - travel for training, \$21,000 - travel for examinations)

3 additional FTEs would be required. The estimate for salary and benefits for these three positions is \$750,000. This also includes some reallocation of existing senior staff's time from their current duties. We are conservatively estimating a reallocation of 10% of three senior staff member's time. The amount of that 10% reallocation is \$109,000. Total estimated salary expense will be \$859,000.

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

Since HB 1268 establishes a new program where financial products are offered to citizens, appropriate measures must be in place to execute the program. The Department of Financial Institutions estimates an addition of 3 FTEs to be necessary: an attorney, IT expert, and examiner. Since these are innovative companies which can range across a wide spectrum of products, applications may be complicated and legal review is necessary, which necessitates an attorney on staff who would also be responsible for drafting the rules as required in the bill. The bill specifically refers to blockchain, and with the likely applications from digital asset/crypto companies, IT expertise and understanding of these specialized areas are necessary. Also, based on the other states' experience, lending products may be part of this space, which make a general examiner with expertise in examination of financial products and institutions a necessary addition.

\$750,000 - Salaries
\$45,000 - Operating (training)
\$12,000 - Operating (travel for training)
\$21,000 - Operating (travel for examinations)

These amounts are not included in the executive budget.

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