Wisconsin Department of Administration Division of Executive Budget and Finance DOA-2048 (R07/2000)

## Fiscal Estimate - 2001 Session

☑ Original ☐ Updated	Corrected	Supplem	ental
LRB Number <b>01-2696/1</b>	Introduction Number	AB-266	
Subject			
Payday loans			
Fiscal Effect			
State:  No State Fiscal Effect Indeterminate Increase Existing Appropriations Decrease Existing Appropriations Revenue Create New Appropriations	s Increase Costs - within agency's b		to absorb
Local:  No Local Government Costs Indeterminate  1. Increase Costs Permissive Mandatory Permissive 2. Decrease Costs 4. Decrease Permissive Mandatory Permissive	Revenue	overnment Units Village Others WTCS Districts	Cities
Fund Sources Affected  GPR FED PRO PRS	Affected Ch. 20 A SEG SEGS s. 20.144(1)(g)	Appropriations	
Agency/Prepared By	Authorized Signature		Date
DFI/ Susan Dietzel (608) 267-0399	Susan Dietzel (608) 267-0399	4/5/01	

## Fiscal Estimate Narratives DFI 4/6/01

LRB Number	01-2696/1	Introduction Number	AB-266	Estimate Type	Original
Subject					
Payday loans					

## **Assumptions Used in Arriving at Fiscal Estimate**

This bill requires the Department of Financial Institutions to promulgate rules and prescribe forms to ensure the efficient administration of s. 138.14 Wis. Stats. It also requires the Department to develop educational materials that will be used to inform an applicant of the potential costs of entering into a payday loan and of other options for borrowing funds that may be available to the applicant. Payday lenders are to provide the educational materials to a loan applicant before tunds are disbursed.

In 1999 and 1998, payday lenders licensed in Wisconsin made 839,285 and 630,300 loans respectively. Assuming the number of loans will continue to increase and then level off at approximately one million a year, and also assuming that the educational material to be distributed will consist of a one page "fact sheet" estimated costs are as follows:

Printing and Paper \$13,000 Mailing 6,000 Salaries & Fringe Benefits 11,700 Total \$30,700

Salary and fringe benefit costs include staff time spent developing the educational material, ordering, taking requests, preparing shipments, monitoring inventory, receipting payments, tracking receivables, and handling an increase in complaints and inquiries. It is assumed approximately 1/3 position at \$26,000 plus fringe benefits will handle these tasks. In order to cover costs, the Department would charge the cost of supplying the educational material to the lenders.

This estimate presumes that the costs to the Department of promulgating rules, prescribing forms and storing the fact sheets would not be significant.

## **Long-Range Fiscal Implications**