

Fiscal Estimate - 2007 Session

Original Updated Corrected Supplemental

LRB Number 07-4167/1	Introduction Number AB-0897			
Description Community reinvestment assessments and ratings of credit unions, the conversion of credit unions to mutual savings banks, providing an exemption from emergency rule procedures, and granting rule-making authority				
Fiscal Effect				
State:				
<input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input checked="" type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Create New Appropriations				
<input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Decrease Costs				
Local:				
<input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate				
<table style="width:100%; border:none;"> <tr> <td style="width:33%; vertical-align: top;"> 1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory </td> <td style="width:33%; vertical-align: top;"> 3. <input checked="" type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory </td> <td style="width:33%; vertical-align: top;"> 5.Types of Local Government Units Affected <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts </td> </tr> </table>		1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	3. <input checked="" type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	5.Types of Local Government Units Affected <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts
1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	3. <input checked="" type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	5.Types of Local Government Units Affected <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts		
Fund Sources Affected				
<input type="checkbox"/> GPR <input type="checkbox"/> FED <input checked="" type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS s. 20.144(2)(g)				
Affected Ch. 20 Appropriations				
Agency/Prepared By	Authorized Signature	Date		
DFI/ Susan Dietzel (608) 267-0399	Susan Dietzel (608) 267-0399	3/6/2008		

Fiscal Estimate Narratives

DFI 3/6/2008

LRB Number	07-4167/1	Introduction Number	AB-0897	Estimate Type	Original
Description Community reinvestment assessments and ratings of credit unions, the conversion of credit unions to mutual savings banks, providing an exemption from emergency rule procedures, and granting rule-making authority					

Assumptions Used in Arriving at Fiscal Estimate

This bill requires the Office of Credit Unions, attached to the Department of Financial Institutions to perform a community reinvestment assessment of the state regulated credit unions each year. Each credit union will be required to file an annual community credit needs statement with the Office. Additionally, the Office is to prepare a written evaluation and assign a performance rating to each credit union. The bill requires the Office to promulgate rules to administer the provisions included in the proposed legislation.

This bill also allows state credit unions to convert to mutual savings banks if certain requirements are met.

Expenditures

Assessing a credit union's performance in meeting the credit needs of the community will require on-site reviews of credit union data. Some of the assessments will be conducted during the regular examination cycle but others not scheduled for examination during the 12 month reporting period will require special examinations.

Currently, there are 260 credit unions, on which the Office performs safety and soundness examinations on an 18-month cycle, as specified by statute. The Office estimates an average additional 20 hours will be added to a regular examination to accomplish the assessment described in the bill and the separate report preparation. Two-thirds of the credit unions can be assessed as a part of the regular examination schedule. For annual assessments conducted outside of the regular cycle (one-third), the Office estimates a minimum of 24 hours to perform the community reinvestment assessment.

Based on these estimates, and the current work assignment structure, the Office will need an additional 4.0 FTE to conduct the assessment and rating, prepare the annual written report, and respond to issues and inquires arising out of the report. In addition, the Office will have staff time involved in promulgating the required rules.

At an examiner annual salary of \$54,500, the cost for salary and fringe benefits for 4.0 examiners totals \$307,600 annually. Travel and training costs per examiner average \$11,000 annually. A system will need to be developed to collect and track the community credit needs statements submitted by the credit unions. The IT costs associated with creating the system are estimated to be approximately \$100,000. Laptop computers used by credit union examiners are provided by the National Credit Union Administration (NCUA), the federal agency that supervises federally chartered credit unions. The NCUA does not permit any other programs or applications to be loaded onto their computers. Because the CRA assessments would operate on a separate system, the Office would need to acquire laptop computers. Assuming it would be sufficient to have one laptop per two examiners, the Office would need to obtain eight computers, at a cost of \$800 each for a total of \$6,400.

Estimated costs associated with this bill:

Salaries \$218,000
Fringe Benefits 89,600
Travel 44,000
Laptop Computers 6,400
Total \$358,000

One-time first year costs \$100,000

The Office does not currently have sufficient staffing to perform the requirements included in this bill. Without funded positions, the Office would not be able to meet the statutorily required examination schedule.

Revenue

There should not be a significant impact on revenue associated with the ability of credit unions to convert to mutual savings banks because state chartered credit unions, who wish that type of charter, currently can accomplish the transition by first converting to a national credit union and then to a mutual savings bank.

The bill does not address fees associated with the annual community reinvestment assessment. Presuming the Office will be able to recover costs associated with the assessment from the Credit Unions, there will be a matching increase in revenue compared to expenditures as rates will be established to cover costs, with a slight increase to the general fund.

It is possible that due to the requirements in this bill, certain credit unions may opt out of a state charter and convert to a federal chartered credit union not subject to the CRA reporting. In that case, revenue associated with their examination and annual credit union assessment would decrease.

Long-Range Fiscal Implications