



## Fiscal Estimate Narratives

DFI 11/1/2023

LRB Number	23-2879/1	Introduction Number	AB-0574	Estimate Type	Original
<b>Description</b> regulating earned wage access services, granting rule-making authority, and providing a penalty					

### Assumptions Used in Arriving at Fiscal Estimate

Under current law, a transaction in which an individual receives loan proceeds and authorizes the lender to transfer funds for repayment within 90 days from a financial institution account is considered a "payday loan," and issuers of payday loans are licensed and regulated under section 138.14 of the Wisconsin Statutes. The proposed legislation would exempt certain payday lenders from section 138.14, shield them from civil liability under the Wisconsin Consumer Act and other consumer lending statutes, and instead allow them to be licensed by the DFI's Division of Banking as providers of "earned wage access services."

The bill calls for the Division to annually set license fees in an amount sufficient to meet the budget requirements of administering and enforcing the newly proposed statutory chapter. In theory, this provision ensures a neutral fiscal effect. This is a different funding mechanism than other licensed financial services administered by the Division of Banking, however, and it may have unexpected effects. If there are relatively few providers, for example, then each provider's share of the Division's annual costs to administer the program could be substantial and act as a deterrent to competition. Year-to-year rate fluctuation may create challenges for competitors, as well.

Assuming the Division is able to cover its costs through the annual fee mechanism of the bill, it will still need authority for additional spending and positions to carry out its administrative and enforcement duties under the bill. "Earned wage access" providers have been subject to class-action lawsuits alleging violations of consumer-protection laws in other states. Because the bill declares that "earned wage access services" in this state are not subject to private enforcement under the Wisconsin Consumer Act or other laws governing loans to consumers, the Division anticipates that aggrieved consumers would need to rely on the Division's enforcement of this proposed licensing legislation as the primary (or perhaps only) avenue for obtaining redress for violations. The legislation would require the Division to go to court to obtain injunctive relief or civil penalties against companies that violate the law.

Therefore, the Division expects that the legislation would require authority for three additional positions: two full-time consumer credit examiners to administer the licensing program, as well as one full-time attorney with litigation experience to investigate violations and enforce the law on behalf of consumers in court. The Division estimates that the cost of these additional positions (including salary, fringe, training, and supplies) would total \$280,400.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2023 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

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<b>Description</b> regulating earned wage access services, granting rule-making authority, and providing a penalty		
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>		
<b>II. Annualized Costs:</b>		
<b>Annualized Fiscal Impact on funds from:</b>		
	Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>		
State Operations - Salaries and Fringes	\$220,400	\$
(FTE Position Changes)	(3.0 FTE)	
State Operations - Other Costs	60,000	
Local Assistance		
Aids to Individuals or Organizations		
<b>TOTAL State Costs by Category</b>	<b>\$280,400</b>	<b>\$</b>
<b>B. State Costs by Source of Funds</b>		
GPR		
FED		
PRO/PRS (20.144(1)(g))	280,400	
SEG/SEG-S		
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>		
	Increased Rev	Decreased Rev
GPR Taxes	\$	\$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$280,400	\$
NET CHANGE IN REVENUE	\$	\$
<b>Agency/Prepared By</b>	<b>Authorized Signature</b>	<b>Date</b>
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