

**STATE  
FISCAL IMPACT**

**Drafting Number:** LLS 13-0170

**Date:** March 4, 2013

**Prime Sponsor(s):** Sen. Kerr  
Rep. Foote

**Bill Status:** Senate Business Labor & Technology  
**Fiscal Analyst:** Alex Schatz (303-866-4375)

**TITLE:** CONCERNING THE CONTINUATION OF THE LICENSING OF MONEY TRANSMITTERS, AND, IN CONNECTION THEREWITH, CONTINUING THE AUTHORITY OF THE BANKING BOARD AND THE STATE BANK COMMISSIONER OVER MONEY TRANSMITTERS.

<b>Fiscal Impact Summary</b>	<b>FY 2013-2014</b>	<b>FY 2014-2015</b>
<b>State Revenue</b> Cash Funds Division of Banking Cash Fund		at least \$223,000
<b>State Transfer</b> Transfer from the Division of Banking Cash Fund to the Colorado Identity Theft and Financial Fraud Cash Fund		\$30,500
<b>State Expenditures</b> Cash Funds Division of Banking Cash Fund	See State Expenditures section.	\$254,764
<b>FTE Position Change</b>		3.0 FTE
<b>Effective Date:</b> Upon signature of the Governor, or upon becoming law without his signature.		
<b>Appropriation Summary for FY 2013-2014:</b> None required.		
<b>Local Government Impact:</b> None.		

**Summary of Legislation**

Under current law, the authority of the Banking Board (board) and Division of Banking (division) in the Department of Regulatory Agencies (DORA) to regulate money transmitters is set to expire after the current fiscal year. This bill implements recommendations of the 2012 sunset review of this regulatory program by extending Colorado Money Transmitters Act (CMTA) until September 1, 2024.

Based on additional recommendations in the sunset review, the CMTA is amended to:

- clarify that the board may investigate unlicensed individuals and businesses engaged in money transmission;
- require money transmitter license applicants to pay for on-site investigation;

- require a licensee to notify the Commissioner of Banking (commissioner) when there are certain changes in the licensee's management, solvency, or legal status;
- require a licensee to obtain approval, and pay an administrative fee, for changes in control of the licensee;
- allow licensees to report new business locations with its quarterly reports;
- modify rules concerning the deposit of securities in lieu of a surety bond upon approval of a license;
- provide a maximum of 6 months after approval by the board for applicants to comply with financial obligations and commence business in Colorado; and
- allow the board to deny a license application without a hearing, which the applicant has the right to appeal in writing with a subsequent hearing.

### **Fiscal Impact of Programs Set to Expire**

This bill continues a program in DORA that is set to expire July 1, 2013. Under current law, state agencies may be appropriated funds to wind up the affairs of an expiring program for 12 months following the repeal date. To account for the wind-up period, the impact of extending the program beyond the current repeal date is shown as beginning in FY 2014-15, one year after the repeal date. Ongoing funding for the program is included in the department's base budget request for FY 2013-14.

### **Background**

Money transmission is the transfer of funds (known as "exchange") from one location to a remote location by various means, including wire, facsimile, or electronic transfer. Traditional money transmission includes money orders, which have been regulated in Colorado since 1959. In 2003, the Colorado Money Order Act was retitled the CMTA and amended to comprehensively encompass wire transfers, exchange services, and online payment services. Many of Senate Bill 13-171's amendments to the CMTA codify current practices by licensees, the board, the commissioner, and the division.

In the sunset review released in October 2012, DORA found that the Division of Banking allocated \$254,764 and 3.0 FTE to CMTA activities in FY 2010-11. The DORA base budget for the division in FY 2013-14 includes funding for continued enforcement of the CMTA.

The sunset review also reported a relatively stable number of 8 new money transmitter applicants per year, and a growing number of licensees, most recently 53 licensees. The fiscal note assumes the number of applicants and licenses, as well as division costs, have remained stable since the sunset review's analysis of resources dedicated to the CMTA program.

## State Revenue

**Beginning in FY 2014-15, the bill results in continued collection of at least \$223,000 cash fund revenue to the Division of Banking Cash Fund.** The division will continue to collect annual licensing fees and surcharges from money transmitters, as well as other fees for investigations, examinations, and filings. While the bill clarifies the division's authority to charge and collect certain fees, the fee structure in the division is unaffected by the bill, and the fiscal note assumes there will be no significant increase in state revenue due to amendments to the CTMA.

***Fee impact on money transmitters.*** Section 2-2-322, C.R.S., requires legislative service agency review of measures that create or increase any fee collected by a state agency. Based on the current number of money transmitters reported in the sunset review, continuation of the program maintains the fees displayed in Table 1. The total fee impact of continuing regulation on licensees is at least \$223,000 each fiscal year.

Table 1. Fee Impact of SB13-171 on Money Transmitters			
Type of Fee	Continued Fee	Number Affected	Fee Impact
Initial License Fee (annual)	\$7,500	8	\$223,000 (annual)
Identity Theft and Financial Fraud Surcharge (annual)	500	61	
License Renewal (annual)	2,500	53	
Change in Control	2,000	unknown	
Other fees (investigation, examination, late filings)	varies	unknown	

## State Transfers

**In FY 2014-15 and subsequent fiscal years, the bill continues a transfer of approximately \$30,500 from the Division of Banking Cash Fund in DORA to the Department of Public Safety (DPS).** Since 2006, money transmitter licensees are each assessed a \$500 annual surcharge to fund activities by the Complex Financial Fraud Unit in DPS. The revenue collected by the division pursuant to this surcharge is immediately transferred to the Colorado Identity Theft and Financial Fraud Cash Fund. Based on 61 initial and renewing licensees each fiscal year, an estimated \$30,500 in surcharge collections are subject to the transfer.

## State Expenditures

**The bill continues workload in DORA that requires \$254,764 cash funds and 3.0 FTE in FY 2014-15 and future fiscal years.** Ongoing funding covers personal services, operating costs, and indirect cost recoveries allocated to CTMA enforcement and other money transmitter regulatory activities.

Starting in FY 2013-14, the bill increases workload in the division by a minimal amount. Amendments to the CTMA require regulators in DORA to review additional filings, to grant additional time for initial licensees to complete the licensing process, and to provide formal notices to applicants denied a license. These new duties require minimal additional effort and do not increase appropriations.

**Departments Contacted**

Regulatory Agencies

Personnel and Administration

Law