

January 23, 2024

The Honorable Jeff Longbine, Chairperson
Senate Committee on Financial Institutions and Insurance
300 SW 10th Avenue, Room 546-S
Topeka, Kansas 66612

Dear Senator Longbine:

SUBJECT: Fiscal Note for SB 345 by Senate Committee on Federal and State Affairs

In accordance with KSA 75-3715a, the following fiscal note concerning SB 345 is respectfully submitted to your committee.

SB 345 would create the Commercial Financing Disclosure Act. The Act would allow a commercial financing broker to arrange commercial financing product transactions between a third party and a business in Kansas. A “commercial financing transaction” would be any commercial loan, accounts receivable purchase transaction, or commercial open-end credit plan when the transaction is a business purpose transaction. A “business purpose transaction” would be defined as any transaction in which the resulting proceeds are provided to a business or are intended to be used to carry on a business and are not for personal, family, or household purposes. Before, or at the time of, consummating a commercial financial transaction, the provider would disclose to the business the terms of the transaction. The bill describes what would have to be provided in the disclosure. The bill also details the types of providers and the types of transactions that would not apply to the provisions of the Act.

The Attorney General would have sole authority to enforce compliance with the Act. Violations would be punishable by a civil penalty of \$500 per violation, but not to exceed \$20,000 for all aggregated violations. If a person violates the Act after receiving written notice of a prior violation from the Attorney General, the new violation would be punishable by a civil penalty of \$1,000 per violation, but not to exceed \$50,000 for all aggregated violations.

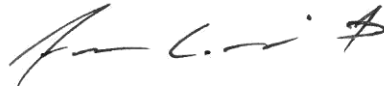
The Office of the Attorney General notes that it is unable to determine how many cases could require action under the provisions of the Act and the additional resources need to handle those cases; however, the agency estimates that it would require at least 1.00 Assistant Attorney General FTE position at a cost of \$104,442 from the State General Fund for FY 2025. This position would manage and investigate the cases that arise from the Act.

The Office of Judicial Administration states that the bill could increase the number of cases filed in district courts because the bill would allow civil penalties to be filed. This would increase the time spent by district court judicial and nonjudicial staff in processing, researching, and hearing cases. The passages of the bill could result in the collection of docket fees that would be deposited into the State General Fund. However, an exact estimate of expenditures and revenues cannot be estimated.

The Office of the State Bank Commissioner and the Kansas Department of Credit Unions both state that the bill would not have a fiscal effect on agency operations. Any fiscal effect associated with SB 345 is not reflected in *The FY 2025 Governor's Budget Report*.

The Kansas Association of Counties and the League of Kansas Municipalities both state that under the bill violations could result in civil penalties which would increase court proceedings; however, any impact would be negligible.

Sincerely,



Adam C. Proffitt
Director of the Budget

cc: William Hendrix, Office of the Attorney General
Bobbi Mariani, Insurance Department
Keith Kocher, Kansas Lottery
Brandi White, Kansas Racing & Gaming Commission
Julie Murray, Department of Credit Unions
Barbara Albright, Office of the State Bank Commissioner
Wendi Stark, League of Kansas Municipalities
Jay Hall, Kansas Association of Counties
Lynn Robinson, Department of Revenue
Trisha Morrow, Judiciary