

State Corporation Commission 2022 Fiscal Impact Statement

1. Bill Number: HB 1027

House of Origin ☐ Introduced ☐ Substitute ☐ Engrossed
Second House ☐ In Committee ☐ Substitute ☒ Enrolled

2. Patron: Tran

3. Committee: Passed both houses

4. Title: Financial institutions; sales-based financing providers.

5. Summary: Requires providers and brokers of sales-based financing to register with the State Corporation Commission (the Commission) on or before November 1, 2022, in accordance with procedures established by the Commission and, unless such provider is organized under the laws of Virginia or otherwise is not required to obtain authority to transact business in the Commonwealth as a foreign entity, to obtain authority to transact business in the Commonwealth. The bill requires a sales-based financing provider or broker to provide certain disclosures to a recipient at the time of extending a specific offer of sales-based financing.

The bill requires that any cause of action arising under a contract or agreement for sales-based financing shall be brought in a court in the Commonwealth and where a contract contains an arbitration provision, such contract shall not require face-to-face arbitration proceedings outside the jurisdiction where the recipient's principal place of business is located. The bill requires the provider to pay any arbitrators' expenses or fees or any other expenses or administrative fees incurred in the conduct of the arbitration proceedings. Any provision in the contract or agreement mandating that such action be brought outside such jurisdiction shall be unenforceable.

The bill requires the Commission to adopt regulations to implement the provisions of the bill. The Attorney General is authorized to seek to enjoin violations of the proposed chapter.

6. Budget Amendment Necessary: Yes, Item 489.

7. Fiscal Impact Estimates: FINAL (see Item 8).

7a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2023	\$95,000	1.0	NGF (02100)
2024	\$78,000	1.0	NGF (02100)

8. Fiscal Implications: The State Corporation Commission (SCC) does not have sufficient data to reliably estimate the number of entities that would ultimately be subject to SCC jurisdiction. Additional staff may be required if the industry response to this bill is favorable.

The legislation provides that each sales-based financing provider and sales-based financing broker shall pay an initial registration fee of \$1,000 and an annual registration fee of \$500 every year thereafter. Such revenue would be used to offset expenses incurred by the SCC in connection with administering the program.

The Office of the Attorney General states that there is no fiscal impact.

9. Specific Agency or Political Subdivisions Affected: State Corporation Commission, Bureau of Financial Institutions; Office of the Attorney General.

10. Technical Amendment Necessary: No.

11. Other Comments: None.