



**Colorado  
Legislative  
Council  
Staff**

**SB16-185**

**FINAL  
FISCAL NOTE**

**FISCAL IMPACT:**  State  Local  Statutory Public Entity  Conditional  No Fiscal Impact

**Drafting Number:** LLS 16-1224  
**Prime Sponsor(s):** Sen. Scott  
Rep. Melton

**Date:** May 31, 2016  
**Bill Status:** Postponed Indefinitely  
**Fiscal Analyst:** Kerry White (303-866-3469)

**BILL TOPIC:** CONSUMER FINANCE CHARGES INFLATION ADJUSTMENT

<b>Fiscal Impact Summary</b>	<b>FY 2016-2017</b>	<b>FY 2017-2018</b>
<b>State Revenue</b>	<b><u>\$55,140</u></b>	<b><u>\$110,280</u></b>
Cash Funds	55,140	110,280
<b>State Expenditures</b>	<b><u>\$69,390</u></b>	<b><u>\$125,230</u></b>
Cash Funds	60,033	107,686
Centrally Appropriated Costs	9,357	17,544
<b>TABOR Impact</b>		\$110,280
<b>FTE Position Change</b>	0.6 FTE	1.1 FTE
<b>Appropriation Required:</b> \$60,033 - Department of Law (FY 2016-17).		
<b>Future Year Impacts:</b> Ongoing state revenue and expenditure increases.		

**NOTE: This bill was not enacted; therefore, the impacts identified in this analysis do not take effect.**

**Summary of Legislation**

This bill requires the administrator of the Consumer Credit Code to adjust the financed dollar amounts for supervised loans and consumer credit sales issued by a Colorado lender based on the consumer price index for the Denver-Boulder-Greeley metropolitan statistical area. The administrator must adjust these amounts for inflation no later than January 1, 2017, and each January 1 thereafter.

**Background**

Under current law, annual finance charge limits are tiered as follows:

- 36 percent on an unpaid balance of \$1,000 or less;
- 21 percent on an unpaid balance of more than \$1,000 to less than \$3,000; and
- 15 percent on an unpaid balance that is more than \$3,000.

Supervised loans and consumer credit sales issued by a Colorado lender must comply with the Colorado Uniform Consumer Credit Code (UCCC), which is administered by the Attorney General's Office within the Department of Law. The UCCC program regulates approximately 1,500 entities per year, including payday lenders, mortgage companies, finance companies, and small installment and other lenders. The program conducts an average of 460 compliance examinations and investigates 450 to 500 complaints each year.

The Federal Bureau of Labor Statistics in the U.S. Department of Labor administers the consumer price index program.

### **State Revenue**

**This bill increases state cash fund revenue credited to the UCCC Cash Fund by \$55,140 in FY 2016-17 and \$110,280 in FY 2017-18 and future years.**

### **Fee Impact on Individuals, Families or Business**

Section 2-2-322, C.R.S., requires legislative service agency review of measures which create or increase any fee collected by a state agency. The table below identifies the fee impact of this bill for a full year's implementation. This amount is prorated in FY 2016-17 based on the bill's requirement for inflation adjustments be made as of January 1, 2017.

<b>Table 1. Fee Impact on Individuals, Families or Business</b>					
<b>Type of Fee</b>	<b>Current Fee</b>	<b>Proposed Fee</b>	<b>Fee Change</b>	<b>Number Affected</b>	<b>Total Fee Impact</b>
License	750	825	75	488	\$36,600
Retail Sales Notification	130	200	70	744	52,080
Sales Finance Notification	130	200	70	220	15,400
Rent-to-Own Notification	50	100	50	124	6,200
<b>TOTAL</b>					<b>\$110,280</b>

### **TABOR Impact**

This bill increases state cash fund revenue from fees, which will increase the amount of money required to be refunded under TABOR beginning in FY 2017-18. TABOR refunds are paid out of the General Fund. No impact is anticipated in FY 2016-17.

### **State Expenditures**

**This bill increases state cash fund expenditures in the Department of Law by \$69,390 and 0.6 FTE in FY 2016-17 and \$125,230 and 1.1 FTE in FY 2017-18 and subsequent years.** Table 2 and the discussion that follows describe the costs of the bill.

<b>Table 2. Expenditures Under SB16-185</b>		
<b>Cost Components</b>	<b>FY 2016-17</b>	<b>FY 2017-18</b>
Personal Services	\$52,711	\$96,637
FTE	0.6 FTE	1.1 FTE
Operating Expenses and Capital Outlay Costs	570	1,045
Travel	3,252	6,504
Computer Programming	3,500	3,500
Centrally Appropriated Costs*	9,357	17,544
<b>TOTAL</b>	<b>\$69,390</b>	<b>\$125,230</b>

\* Centrally appropriated costs are not included in the bill's appropriation.

**Department of Law.** Costs assume that each of the 460 annual examinations will require three additional hours for compliance review. This increased workload requires 1.1 FTE Financial Credit Examiner per year, prorated to 0.6 FTE in the first year. Standard operating costs are included, although no capital outlay is required, as this position works in the field. Travel costs assume about 12,000 miles per year in a fleet vehicle and 24 days of travel expenses. These amounts have also been prorated in the first year. The UCCC computer system will require a new computer algorithm each year in order to make the required adjustments for inflation at a cost of \$3,500 each year.

**Centrally appropriated costs.** Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. The centrally appropriated costs subject to this policy are estimated in the fiscal note for informational purposes and summarized in Table 3.

<b>Table 3. Centrally Appropriated Costs Under SB16-185</b>		
<b>Cost Components</b>	<b>FY 2016-17</b>	<b>FY 2017-18</b>
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$4,846	\$8,885
Supplemental Employee Retirement Payments	4,511	8,659
<b>TOTAL</b>	<b>\$9,357</b>	<b>\$17,544</b>

**Effective Date**

The bill was postponed indefinitely by the House State, Veterans, and Military Affairs Committee on May 4, 2016.

**State Appropriations**

For FY 2016-17, the bill requires an appropriation of \$60,033 from the UCCC Cash Fund and an allocation of 0.6 FTE to the Department of Law.

**State and Local Government Contacts**

Information Technology

Law