

**STATE and LOCAL
FISCAL IMPACT**

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Prime Sponsor(s): Rep. Casso

Bill Status: House Judiciary

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TITLE: CONCERNING THE TRANSFER OF THE REGULATION OF BAIL BONDING AGENTS FROM THE DIVISION OF INSURANCE TO A NEWLY CREATED REGULATORY BOARD.

Fiscal Impact Summary	FY 2011-2012	FY 2012-2013
State Revenue		
Cash Funds		
Division of Insurance Cash Fund	(\$37,260)	(\$37,260)
Division of Registrations Cash Fund*	797,888	109,200
State Transfers or Diversions		
Reduction of Diversion from the General Fund to the Division of Insurance Cash Fund	\$180,223	\$253,705
Diversion from the General Fund to the Public School Fund	(80,000)	(80,000)
State Expenditures		
Cash Funds		
Division of Insurance Cash Fund	(\$230,123)	(\$290,644)
Division of Registrations Cash Fund	465,093	369,915
FTE Position Change (Net)	1.9 FTE	1.2 FTE
Effective Date: Upon signature of the Governor, or upon becoming law without his signature.		
Appropriation Summary for FY 2011-2012: See State Appropriations section.		
Local Government Impact: See Local Government Impact section.		

*Revenue is higher than expenditures to account for Expenditures Not Included shown in the fiscal note.

Summary of Legislation

This bill transfers the regulation of bail bonding agents within the Department of Regulatory Agencies from the Division of Insurance to the newly created State Bail Bonding Agent Board within the Division of Registrations. This will be a Type 1 board with 7 members appointed by the governor. The bill increases education requirements for initial licensure and license renewals. The allowable charges for bail bonding agents are changed from the greater of 15 percent or \$50 to a minimum of 10 percent of the bail. In addition, agents are required to collect a \$15 fee on each bond from defendants. This fee is to be delivered to the law enforcement entity that processes the defendant's bail; \$10 is sent to the local school district and \$5 is kept to offset the collection costs.

The board must be appointed by October 1, 2011, at which time the transfer of regulatory functions is effective. Bail bonding agents will still be required to pay premium taxes to the Division of Insurance but rather than being put in the General Fund, funds will go to the Public School Fund.

The bill includes a change of sunset date from July 1, 2012, to September 1, 2021, but is not a sunset bill.

State Transfers or Diversions

This bill reduces the diversion of money from the General Fund to the Division of Insurance Cash Fund by \$180,223 in FY 2011-12, and \$253,705 in FY 2012-13. The Division of Insurance in the Department of Regulatory Agencies is funded with premium tax revenue that would otherwise be credited to the General Fund. The diversion is reduced to reflect the reduction in workload created by this bill, but is not new state revenue. In addition, \$80,000 in insurance premium tax revenue is diverted from the General Fund to the Public School Fund each year.

State Revenue

This bill increases cash funds revenue from fees by \$694,376 in FY 2011-12 and \$89,175 in FY 2012-13.

Fee Impact on bail bonding agents. 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. Table 1 identifies the fee impact of this bill.

Table 1. Fee Impact on Bail Bonding Agents					
Type of Fee	Current Fee	Proposed Fee	Fee Change	Number Affected	Total Fee Impact
Original License (FY 2011-12)	\$267	\$1,456	\$1,189	584	\$694,376
Original License (FY 2012-13)	267	1,456	1,189	75	89,175
TOTAL					\$783,551

Division of Registrations. The Division of Registrations will have increased revenues of \$797,888 in FY 2011-12, and \$109,200 in FY 2012-13 to the Division of Registrations Cash Fund. This assumes that all current bail bonding agents will obtain an original 2-year license in FY 2011-12, and 75 new applicants will be licensed in FY 2012-13.

Division of Insurance. The Division of Insurance will have reduced revenues of \$37,260 in FY 2011-12 and FY 2012-13 to the Division of Insurance Cash Fund. Although annual revenue from fees averages \$99,000, the division receives 40 percent of the fee and the licensing and examination vendor receives 60 percent. Fee revenue does not cover all the costs for the division.

State Expenditures

This bill increases expenditures for the regulation of bail bonding agents by \$234,970 in FY 2011-12 and \$79,271 in FY 2012-13 in the Department of Regulatory Agencies. This includes an increase in expenditures for the Division of Registrations and a decrease in the Division of Insurance.

Division of Registrations. The Division of Registrations will have increased expenditures of \$465,093 and 4.9 FTE in FY 2011-12, and \$369,915 and 4.9 FTE in FY 2012-13 from the Division of Registrations Cash Fund. The division will house the State Bail Bonding Agent Board and be responsible for rule promulgation, contracting licensure examinations, licensing, monitoring continuing education, and enforcement.

Legal services for enforcement are comparable to those from the Division of Insurance with additional legal services for rule promulgation and support of the board. The division will need to update its licensing system to accommodate the new licensees at a cost of \$25,840. Travel expenses are required for outreach efforts and staff training. The board will have expenses for training and meetings. See Table 2 for detailed expenditures.

Cost Components	FY 2011-12	FY 2012-13
Personal Services	\$266,411	\$221,973
FTE*	4.9	4.9
Operating Expenses and Capital Outlay	20,346	4,092
Legal Services	145,163	139,650
Computer Programming	25,840	
Travel	2,433	
Board Expenses	4,900	4,200
TOTAL	\$465,093	\$369,915

**Includes 1.2 FTE for the Department of Law.*

Division of Insurance. The Division of Insurance will have reduced expenditures of \$230,123 in FY 2011-12 and \$290,644 in FY 2012-13 from the Division of Insurance Cash Fund. The division will transfer its functions to the board October 1, 2011, so expenditures are prorated for FY 2011-12. The division has costs of \$16,240 in FY 2011-12 to retrieve documents from storage to transfer to the board. Because the division outsources licensing and examinations, the amount of funding for regulation is lower than estimated for the Division of Registration. See Table 3 for detailed reductions.

Table 3. Division of Insurance Expenditures Under HB11-1135		
Cost Components	FY 2011-12	FY 2012-13
Personal Services	(\$112,353)	(\$155,969)
FTE	-3.0	-3.7
Operating Expenses and Capital Outlay	(1,710)	(2,375)
Records Storage	16,240	
Legal Services	(132,300)	(132,300)
TOTAL	(\$230,123)	(\$290,644)

**Includes reduction of 1.2 FTE for the Department of Law.*

Expenditures Not Included

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 summarized in Tables 4 and 5.

Table 4. Division of Registrations Expenditures Not Included Under HB11-1135*		
Cost Components	FY 2011-12	FY 2012-13
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$26,270	\$26,270
Supplemental Employee Retirement Payments	10,045	11,835
Indirect Costs	25,153	25,153
TOTAL	\$61,468	\$63,258

**More information is available at: <http://colorado.gov/fiscalnotes>*

Table 5. Division of Insurance Expenditures Not Included Under HB11-1135*		
Cost Components	FY 2011-12	FY 2012-13
Employee Insurance (Health, Life, Dental, and Short-term Disability)	(\$12,780)	(\$17,750)
Supplemental Employee Retirement Payments	(5,084)	(8,316)
Indirect Costs	(12,236)	(16,995)
TOTAL	(\$30,100)	(\$43,061)

**More information is available at: <http://colorado.gov/fiscalnotes>*

Local Government Impact

Local school districts and law enforcement will see an increase in revenue from the \$15 fee bail bonding agents are required to collect. The amount of this increase will depend on the number of professional surety bonds issued in each jurisdiction. Until further information becomes available, this number will not be estimated.

State Appropriations

For FY 2011-12, the Department of Regulatory Agencies requires the following appropriations:

- Reduction of \$230,123 and 3.0 FTE from the Division of Insurance Cash Fund. Of this amount the Department of Law requires a reduction of reappropriated funds of \$132,300 and 1.2 FTE.
- Increase of \$465,093 and 4.9 FTE from the Division of Registrations Cash Fund. Of this amount the Department of Law requires an increase of reappropriated funds of \$145,163 and 1.2 FTE.

Departments Contacted

Regulatory Agencies
Local Affairs

Law
Judicial

Public Safety
Governor's Office

Education