

Colorado Legislative Council Staff Fiscal Note

**STATE
FISCAL IMPACT**

Drafting Number: LLS 15-0187
Prime Sponsor(s): Sen. Cooke
 Rep. Pabon

Date: March 20, 2015
Bill Status: Senate Judiciary
Fiscal Analyst: Erin Reynolds (303-866-4146)

BILL TOPIC: SUNSET DEBT-MANAGEMENT SERVICE PROVIDERS

Fiscal Impact Summary*	FY 2015-2016	FY 2016-2017	
This bill changes and continues a program that would otherwise end July 1, 2015, so the fiscal note shows the new and continuing fiscal impacts.	New	New	Continuation
State Revenue	\$0	\$0	
General Fund – Fines	68,780	68,780	
Cash Funds – Fines	(68,780)	(68,780)	
Cash Funds – Fees	Potential increase.	Potential increase.	
State Expenditures	\$0	\$390,634	
Cash Funds			390,634
FTE Position Change			3.2 FTE
Appropriation Required: None.			

* This summary shows changes from current law under the bill for each fiscal year. Parentheses indicate a decrease in funds.

Summary of Legislation

The bill continues the Uniform Debt-Management Services Act in the Department of Law for nine years until September 1, 2024, and implements all recommendations from the sunset review. These include:

- limiting the settlement fees collected by a debt-settlement provider to 15 percent (and specifying that these fees may be collected only after the provider has completely settled the debt to which the fees apply and their client has made all required payments on the debt to which the fees apply); and
- allowing the Administrator (administrator) of the Uniform Consumer Credit Code (UCCC) to set a variable provider registration fee depending on whether the provider is a debt-management or debt-settlement provider.

The bill also repeals the requirement that fees be set by rule, allowing the administrator to set rules administratively based on program costs. Under the bill, all civil penalties collected under the act are deposited into the General Fund, instead of the UCCC cash fund where these fines are currently deposited.

Background

Approximately 47 debt-management and debt-settlement providers are registered under the act in the Department of Law. The UCCC administrator is vested by the state Attorney General with the authority to enforce the act. The administrator may: examine books, accounts, and records of providers; deny, suspend, or revoke a registration; issue a cease and desist order; order a violation to be corrected; prosecute a civil action; and intervene in an individual's civil case against a provider. Between FY 2008-09 and FY 2012-13, the UCCC administrator issued 26 cease and desist orders, completed 38 stipulated agreements or final agency orders, denied 4 licenses, and obtained 4 consent decrees and 4 determinations or judgments against providers. The UCCC cash fund is currently authorized to be used in program administration and enforcement, as appropriated by the General Assembly, with the exception that moneys for consumer and creditor education may be expended up to \$25,000 as long as FTE is not included.

Fiscal Impact of Programs Set to Expire

This bill continues the act, which is set to repeal effective July 1, 2015, for nine years until 2024. 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 2016-17, one year after the repeal date. There is no need for an appropriation of the \$390,634 base funding in FY 2015-16, since the program's authorization has not yet expired, and ongoing funding for the program is included in the department's base budget request.

The state expenditures impact for FY 2016-17 reflects the program's anticipated fee revenue and base budget request beginning that year. Based on the budget request for the program, continuing cash fund expenditures are expected to be \$390,634 and 3.2 FTE in FY 2015-16. New state revenue impacts are discussed below.

State Revenue

The bill impacts state revenue in two ways: it modifies the fund into which fines are deposited (no net change) and may result in the administrator choosing to increase fees to cover expenditures (potential fee increase). These impacts are discussed below.

Fine revenue. Under the bill, all fines, which are currently deposited into the UCCC cash fund in the Department of Law, are to be deposited into the General Fund. The Debt-Management Services program has collected about \$206,340 in fines from FY 2011-12 through FY 2013-14, an average of about \$68,780 per year; therefore the General Fund will increase and the UCCC cash fund will decrease by this approximate amount each year.

Fee revenue. By making certain modifications to the process by which fees are set, the bill may increase state revenue from fees. Under the bill, the administrator is authorized to set reasonable fees to cover the costs of the program. The current fee schedule is \$1,000 for annual registration and a \$60 per hour examination fee, capped at 20 hours. These fees generate between \$50,000 and \$100,000 per year for the program, compared to program costs of \$390,634. Fee revenue from other registration programs housed in the Consumer Credit Unit—for supervised lenders, retail sales, sales finance, and rent-to-own entities—is currently used to pay Debt-Management Services program costs that exceed the program's fee revenue. Total

Consumer Credit Unit program fees were \$1.6 million in FY 2014-15. To the extent that the administrator raises fees to cover a greater portion of Debt-Management Services program costs, fee revenue will increase. These increases may be offset by decreases in fees to other programs in the Consumer Credit Unit.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State and Local Government Contacts

Law

Regulatory Agencies