



## Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

# Revised Fiscal Note

(replaces fiscal note dated February 13, 2023)

<b>Drafting Number:</b>	LLS 23-0703	<b>Date:</b>	February 28, 2023
<b>Prime Sponsors:</b>	Rep. Woodrow Sen. Rodriguez	<b>Bill Status:</b>	House Finance
		<b>Fiscal Analyst:</b>	John Armstrong   303-866-6289 john.armstrong@coleg.gov

**Bill Topic:** CONSUMER LEGAL FUNDING TRANSACTIONS

<b>Summary of Fiscal Impact:</b>	<input checked="" type="checkbox"/> State Revenue	<input checked="" type="checkbox"/> TABOR Refund
	<input checked="" type="checkbox"/> State Expenditure	<input type="checkbox"/> Local Government
	<input type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

The bill requires companies offering consumer legal funding to register with the Attorney General. The bill will increase state revenue and expenditures on an ongoing basis starting in FY 2023-24.

**Appropriation Summary:** For FY 2023-24, the bill requires an appropriation of \$101,982 to the Department of Law.

**Fiscal Note Status:** This revised fiscal note reflects the introduced bill, as amended by the House Judiciary Committee.

**Table 1**  
**State Fiscal Impacts Under HB 23-1162**

		Budget Year FY 2023-24	Out Year FY 2024-25
<b>Revenue</b>	Cash Funds	\$192,200	-
	<b>Total Revenue</b>	<b>\$192,200</b>	-
<b>Expenditures</b>	Cash Funds	\$101,982	\$41,821
	Centrally Appropriated	\$18,734	\$8,326
	<b>Total Expenditures</b>	<b>\$120,716</b>	<b>\$50,147</b>
	<b>Total FTE</b>	<b>0.9 FTE</b>	<b>0.4 FTE</b>
<b>Transfers</b>		-	-
<b>Other Budget Impacts</b>	TABOR Refund	\$192,200	-

## Summary of Legislation

Consumer legal funding (CLF) is an agreement between a person with a pending legal claim and a company that offers the person cash assistance in exchange for a percentage of the settlement or award. If the person loses their lawsuit and does not receive a settlement, the person does not have to pay back the company.

Effective February 1, 2024, the bill requires companies that offer CLF to register with the Attorney General's office and pay a registration fee in an amount determined by the Attorney General. Of this fee, \$200 goes to the Identify Theft and Financial Fraud Cash Fund and the remainder goes to a new Consumer Legal Funding Cash Fund which is used to pay administration costs for the Attorney General's office.

The bill requires certain disclosures in CLF agreements, limits the funding fee amount in the CLF contract, and sets rules and prohibitions for companies, which the Attorney General is granted authority to enforce the provisions of the Act.

## Background and Assumptions

Currently there are four companies registered with the Department of Law as supervised lenders within the Uniform Consumer Credit Code regulatory program. A review of trade association lists suggests that a total of 31 companies may register with the Attorney General's office to offer CLF to consumers.

## State Revenue

Colorado law requires legislative service agency review of measures which create or increase any fee collected by a state agency. These fee amounts are estimates only, actual fees will be set administratively by the Department of Law based on cash fund balance, program costs, and the number of registrations subject to the fee. This fiscal note assumes that 31 companies will register with the Attorney General's office in FY 2023-24. In order to cover costs, it is estimated that the Department of Law will charge a registration fee of \$6,200, of which \$200 goes to the Identity Theft and Financial Fraud Cash Fund in the Department of Public Safety and \$6,000 goes to the new Consumer Legal Funding Cash Fund in the Department of Law. The estimated fee and revenue to the state cash funds are shown in Table 2 below. It is assumed registrants will pay a renewal fee every two years.

**Table 2**  
**Revenue Under HB 23-1162**

<b>Fee</b>	<b>Fee Split</b>	<b>Registrants</b>	<b>Total</b>
CLF Cash Fund	\$6,000	31	\$186,000
Identity Theft Cash Fund	\$200	31	\$6,200
<b>FY 2023-24 Total</b>			<b>\$192,200</b>

**State Expenditures**

The bill increases state expenditures in the Departments of Law by \$120,716 in FY 2023-24 and \$50,147 in FY 2024-25, paid from the CLF Cash Fund. Expenditures are shown in Table 2 and detailed below.

**Table 3  
Expenditures Under HB 23-1162**

	FY 2023-24	FY 2024-25
<b>Department of Law</b>		
Personal Services	\$94,097	\$41,821
Operating Expenses	\$1,215	-
Capital Outlay Costs	\$6,670	-
Centrally Appropriated Costs <sup>1</sup>	\$18,734	\$8,326
<b>Total</b>	<b>\$120,716</b>	<b>\$50,147</b>
<b>Total FTE</b>	<b>0.9 FTE</b>	<b>0.4 FTE</b>

<sup>1</sup> Centrally appropriated costs are not included in the bill's appropriation.

**Department of Law.** This fiscal note assumes that the Attorney General’s office will receive 27 new applications in FY 2023-24, with each application requiring roughly 40 hours of review and 4 applications from entities already licensed requiring 20 hours of review. Application review will be completed by a Financial Credit Examiner, who will also spend approximately 300 hours responding to industry questions, 300 hours to complete rulemaking and 200 hours to review appeals for any denied applications. This results in the need for 0.9 FTE. In 2024-25, this Financial Credit Examiner will provide approximately 600 hours of ongoing advice and guidance to CLF providers and their consumers, resulting in the need for 0.4 FTE ongoing. Operating expenses and capital outlay expenses are included in the first year only. Revenue from the CLF Cash Fund is assumed to be spent over the two-year application cycle. Excess revenues will be used to maintain a cash fund balance.

**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. These costs, which include employee insurance and supplemental employee retirement payments, are shown in Table 2.

**Other Budget Impacts**

**TABOR refunds.** The bill is expected to increase the amount of state revenue required to be refunded to taxpayers by the amounts shown in the State Revenue section above. This estimate assumes the December 2022 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2024-25. Because TABOR refunds are paid from the General Fund, increased cash fund revenue will reduce the amount of General Fund available to spend or save.

## Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

## State Appropriations

For FY 2023-24, the bill requires an appropriation of \$101,982 from the Consumer Legal Funding Cash Fund, and 0.9 FTE, to the Department of Law.

## State and Local Government Contacts

Information Technology  
Personnel

Judicial  
Regulatory Agencies

Law