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Fiscal Note

Drafting Number: LLS 24-1053 Date: April 3, 2024
Prime Sponsors: Rep. Mabrey Bill Status: House Judiciary
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Bill Topic: REGULATION OF DEBT-RELATED SERVICES

Summary of Fiscal Impact: [X] State Revenue [] State Transfer [] Local Government
[X] State Expenditure [X] TABOR Refund [] Statutory Public Entity

The bill establishes new regulatory protections for consumers under the Consumer Credit Code related to credit and debt-management services. It increases state revenue and minimally increases state expenditures starting in FY 2024-25.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: The fiscal note reflects the introduced bill.

Table 1
State Fiscal Impacts Under HB 24-1380

Table with 4 columns: Category, Sub-category, Budget Year FY 2024-25, and Out Year FY 2025-26. Rows include Revenue (Cash Funds, \$15,000), Expenditures (-), Transfers (-), and Other Budget Impacts (TABOR Refund, \$15,000).

Summary of Legislation

The bill establishes new regulatory protections under the Consumer Credit Code related to credit and debt-management services, and creates new deceptive trade practices.

Credit services. Credit service organizations must file a notification with, and pay a fee to, the Attorney General's Office within 30 days of commencing business in Colorado and annually thereafter. The Administrator of the Uniform Consumer Credit Code may also order a person to cease and desist from engaging in violations of the Colorado Credit Services Organization Act. Violating persons are subject to an administrative penalty of up to \$1,500 per violation.

Debt management services. The bill aligns debt management service requirements with the Uniform Debt-Management Services Act and clarifies consumer consent timelines when utilizing internet or electronic disclosures, reporting, and record-keeping. Additionally, the bill updates the circumstances when a debt management service provider may levy fees on a consumer.

Deceptive trade practices. The bill makes the following a new deceptive trade practice for a debt collector or collection agency:

- taking any legal action on a debt against a consumer if the debt collector or collection agency is the named plaintiff, unless the debt collector or collection agency has purchased complete ownership of the debt; and
- seeking or supporting a warrant or otherwise promoting the arrest or detainment of a consumer in any legal action against a consumer in connection with an action to collect or attempt to collect a debt. This deceptive trade practice also applies to a creditor.

Background

The Colorado Uniform Consumer Credit Code (UCCC) regulates the terms and conditions of consumer credit in the state. It sets maximum rates and charges, requires disclosure of the cost of credit so consumers may shop for the best rates, and provides remedies for consumers on default. The Colorado Attorney General's Office, through the Administrator of the Uniform Consumer Credit Code, investigates complaints about lenders and creditors, licenses non-bank lenders such as finance companies and payday lenders, and takes disciplinary or legal action when a creditor violates the law. Consumers may bring legal action against creditors under the UCCC.

State Revenue

The bill increases state cash fund revenue by an estimated \$15,000 starting in FY 2024-25, paid to the Consumer Credit Unit Cash Fund in the Department of Law (DOL) from credit service organizations paying an annual notification fee. The bill also minimally increases state revenue from civil penalties, administrative penalties, and court filing fees. These impacts are shown in Table 2 and discussed in more detail below.

Table 2
Fee Impact on Credit Service Organizations

Type of Fee	Estimated Fee	Number Affected	Total Fee Impact
Notification Fee	\$1,000	15	\$15,000

Fee impact on credit service organizations. Colorado law requires legislative service agency review of measures which create or increase any fee collected by a state agency. Starting in FY 2024-25, DOL will collect about \$15,000 in notification fees from 15 assumed credit service organizations each year. The fiscal note estimates a fee amount of \$1,000 based on the current fee for debt management organizations. This proposed fee is an estimate only; actual fees will be set administratively by DOL.

Administrative penalties. A person violating the new provisions of the UCCC may be subject to an administrative penalty of up to \$1,500 for each violation. Revenue from administrative penalties is credited to the Consumer Credit Unit Cash Fund and is subject to TABOR. Given the uncertainty about the number of cases that may be pursued by the UCCC Administrator, as well as the wide range in potential penalty amounts, the fiscal note cannot estimate the potential impact of these administrative penalties.

Civil penalties. Under the Colorado Consumer Protection Act, a person committing a deceptive trade practice may be subject to a civil penalty of up to \$20,000 for each violation. Additional penalties may be imposed for subsequent violations of a court order or injunction. This revenue is classified as a damage award and not subject to TABOR. Given the uncertainty about the number of cases that may be pursued by the Attorney General and district attorneys, as well as the wide range in potential penalty amounts, the fiscal note cannot estimate the potential impact of these civil penalties.

Filing fees. The bill may increase revenue to the Judicial Department from an increase in civil case filings. Revenue from filing fees is subject to TABOR.

State Expenditures

The bill may increase workload in the Department of Law and the Judicial Department beginning in FY 2024-25, as described below.

Department of Law. Workload in the Department of Law will minimally increase to the extent that deceptive trade practice complaints are filed. The department will review complaints under the bill and prioritize investigations as necessary within the overall number of deceptive trade practice complaints and available resources. Workload will also minimally increase for the Consumer Credit Unit to make rules regarding credit servicer notifications and fees and handle any violations by credit service organizations. No change in appropriations is required.

Judicial Department. Trial courts in the Judicial Department may have an increase in cases filed under the Colorado Consumer Protection Act from the addition of a new deceptive trade practice and judicial review of any additional administrator decisions. It is assumed that credit service organizations will abide by the law and that any violation of the legislation will result in minimal number of new cases. The fiscal note assumes that this can be accomplished within existing resources and that no change in appropriations is required.

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 March 2024 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2025-26. 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, except that certain sections and provisions take effect on March 1, 2025.

State and Local Government Contacts

Judicial
Treasury

Law

Regulatory Agencies

The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the [General Assembly website](#).