

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 567** HLS 13RS 219
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 16, 2013 8:35 AM	Author: PONTI
Dept./Agy.: Justice	Analyst: Evelyn McWilliams
Subject: Debt Relief Services	

FINANCIAL PLANNING OR SEE FISC NOTE GF RV Page 1 of 1
 Provides relative to debt relief services

The proposed legislation abolishes R. S. 14:331 that provided for "Prohibition of Debt Adjusting When Conducted for Profit and R. S. 37:2581-2600 that provide for regulation of "Financial Planning and Management Services". The proposed legislation enacts new laws that provide for regulation of debt management and settlement services by the Attorney General. Under current law only nonprofit organizations and attorneys are allowed to provide debt relief services/counseling. The proposed legislation allows for-profit companies to provide debt management and settlement service. The legislation provides for registration of companies providing debt relief services, for bonds requirements of such entities and the fee amounts of annual registrations and renewals .

EXPENDITURES	2013-14	2014-15	2015-16	2016-17	2017-18	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Agy. Self-Gen.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total						
REVENUES	2013-14	2014-15	2015-16	2016-17	2017-18	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000	\$225,000
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000	\$225,000

EXPENDITURE EXPLANATION

Implementation of the proposed legislation will lead to an indeterminable increase in state expenditures. The legislation requires any entity performing debt relief services to submit an application to the Attorney General as a debt relief counselor. Applicants must pay a \$1,500 registration fee and purchase a surety bond in the sum of \$50,000 or the average daily balance of client funds under management the preceding 6 months. The attorney general is responsible for developing the application form for registration, the management and receipt of the surety bonds, the issuance of certificates, the defense of appeals and the promulgation of any rules. The Legislative Fiscal Office anticipates that the Attorney General will require increased funding to provide for review of applications submitted by applicants applying for certification as a debt service provider, investigations of applicants and administrative hearings conducted by the Division of Administrative Law. Applicants whose application is denied or revoked may request an administrative hearing.

To the extent that expenditures exceed the revenue anticipated from the fees generated by applicants, additional SGF revenue may be required.

According to the Attorney General, it will require \$1.9M in SGF and 11 new positions to provide for implementation of the proposed legislation. The increased funding will be utilized to provide for the following expenditures \$576,000 for salaries; \$283,868 for related benefits; \$72,000 for travel; \$135,930 for operating service; \$118,000 for supplies; \$565,000 for litigation expenses, training and document storage; and \$153,600 for acquisitions. The 11 new positions include 4 attorneys, 2 paralegals, 1 claims adjuster, 2 investigators and 2 administrative assistants. The agency is requesting SGF since the projected revenue generated by the fees charged applicants will likely be insufficient to fund the program.

The LFO is uncertain whether the volume of work resulting from implementing the proposed legislation will result in the level of expenditures projected by the Attorney General's office. The LFO will continue to attempt to determine the level of funding necessary to implement the proposed legislation.

REVENUE EXPLANATION

The proposed legislation provides for a \$1,500 payment for annual registration and renewals from entities applying for certification as a debt relief provider. The Attorney General estimates that approximately 30 entities are anticipated to apply annually. If 30 entities applied annually, \$45,000 in self-generated revenue would be collected yearly. The bill also provides for fines and penalties for violations. The Legislative Fiscal Office is not able to predict the amount of revenue that would be derived from fines and penalties. Any fines and penalties collected, would be deposited in the general fund

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>
<input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}	<input type="checkbox"/> 6.8(F) >= \$500,000 Annual Fiscal Cost {S}	
<input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}	<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}	

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