

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



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

<b>Date:</b> April 19, 2013 3:32 PM	<b>Author:</b> PONTI
<b>Dept./Agy.:</b> Justice	<b>Analyst:</b> Evelyn McWilliams
<b>Subject:</b> Debt Relief Services	

FINANCIAL PLANNING EG SEE FISC NOTE GF RV See Note 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 .

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

**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 an indeterminable increase in 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. The cost for administrative hearings is approximately \$178 per hour (\$104.43 per hour for attorneys and \$73.28 per hour for clericals). The LFO cannot anticipate the number of hearings that will actually occur.

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, this legislation will require \$1.9M in SGF and 11 new positions to provide for implementation. 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 does not anticipate the volume of work resulting from implementing the proposed legislation will result in the level of expenditures projected by the Attorney General's office.

**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 into the state 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}

*Evan Brasseaux*  
**Evan Brasseaux**  
**Staff Director**