

Colorado Legislative Council Staff Fiscal Note
**STATE, LOCAL and STATUTORY
 PUBLIC ENTITY FISCAL IMPACT**

Drafting Number: LLS 13-0745	Date: February 11, 2013
Prime Sponsor(s): Rep. Lawrence Sen. Balmer	Bill Status: House SVMA
	Fiscal Analyst: Kerry White (303-866-3469)

TITLE: CONCERNING THE PROHIBITION OF CERTAIN DEBT COLLECTION ACTIVITIES BY THE DEPARTMENT OF PERSONNEL.

Fiscal Impact Summary	FY 2013-2014	FY 2014-2015
State Revenue		
Cash Funds		
Debt Collection Fund	at least (\$14,134)	at least (\$14,134)
State Expenditures	Reduction - see State Expenditures section.	
FTE Position Change		
Effective Date: July 1, 2013.		
Appropriation Summary for FY 2013-2014: None required.		
Local Government Impact: See Local Government, School District, and Statutory Public Entity Impact section.		

Summary of Legislation

This bill prohibits the Department of Personnel and Administration (DPA) from performing debt collection services for political subdivisions or nonprofit entities.

Background

The Central Collections Unit of the DPA performs debt collection services for state agencies and is also authorized to collect debts due to political subdivisions. Currently, work for political subdivisions comprises less than 2 percent of its active caseload (8,095 of 441,727 accounts). DPA is authorized to add an additional 18 percent collection fee to successful recoveries, which is credited to the Debt Collection Fund and helps to offset its operating costs.

State Revenue

Beginning in FY 2013-14, this bill will reduce state revenue by at least \$14,134 per year. This amount represents the average of collections from the three most recent fiscal years. However, it should be noted that projected revenue in the current fiscal year is nearly four times higher than the prior fiscal year due to the increasing number of political subdivisions requesting state assistance. Therefore, the amount of annual revenue loss in the future could exceed the \$14,134 average.

However, eliminating the ability of DPA to service debt for political subdivisions could increase state revenue as a result of having more staff time available to pursue state debt. Given the small amount of staff time currently being expended on the servicing of political subdivision debt, this analysis assumes any increase in revenue will be minimal.

State Expenditures

This bill will reduce workload for DPA by a minimal amount. Currently, 1.0 FTE spends less than 10 percent of work time pursuing collections for political subdivisions at a cost of about \$3,975. As this FTE has other collection duties for state agencies, this analysis assumes no reduction in appropriations is required.

Local Government, School District, and Statutory Public Entity Impact

This bill will increase costs for local governments, school districts, and statutory public entities by at least \$14,134 per year. This analysis assumes these organizations contract with the state for debt collection services because they do not have internal resources to perform this function and the state is the lowest cost alternative. For instance, many private debt servicing companies charge fees between 20 and 30 percent, which is higher than the state's statutory fee of 18 percent. However, the private company's fee must be deducted from the recovery amount, while state recoveries are allowed to increase by the 18 percent state fee. Even if the fees were the same percentage, because the state fee is in addition to the recovery amount, this analysis assumes the cost to local governments will be at least \$14,134 per year.

Departments Contacted

Personnel and Administration