

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

April 11, 2011

TO: Honorable Vicki Truitt, Chair, House Committee on Pensions, Investments & Financial Services

FROM: John S O'Brien, Director, Legislative Budget Board

IN RE: HB3529 by Davis, Yvonne (Relating to the regulation of debt collection agencies and credit bureaus.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3529, As Introduced: an impact of \$0 through the biennium ending August 31, 2013.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

| Fiscal Year | Probable Net Positive/(Negative) Impact to General Revenue Related Funds |
|-------------|--|
| 2012 | \$0 |
| 2013 | \$0 |
| 2014 | \$0 |
| 2015 | \$0 |
| 2016 | \$0 |

All Funds, Five-Year Impact:

| Fiscal Year | Probable Savings/(Cost) from General Revenue Fund 1 | Probable Revenue Gain/ (Loss) from General Revenue Fund 1 | Change in Number of State Employees from FY 2011 |
|-------------|--|--|---|
| 2012 | (\$540,500) | \$540,500 | 7.0 |
| 2013 | (\$498,045) | \$498,045 | 7.0 |
| 2014 | (\$498,045) | \$498,045 | 7.0 |
| 2015 | (\$498,045) | \$498,045 | 7.0 |
| 2016 | (\$498,045) | \$498,045 | 7.0 |

Fiscal Analysis

The bill would amend the relating to the regulation of debt collection agencies and credit bureaus.

The bill would require the Texas Department of Licensing and Regulation (TDLR) to license and regulate third-party debt collectors. The bill would establish terms of the application for a license, including requirements for surety bonds, and require TDLR to investigate the application's eligibility and enforce rules governing third-party debt collectors.

The bill has the following effective dates: The effective date for the bill would be September 1, 2011; Rules are required by October 1, 2011; Licenses would be required by January 1, 2012, if the

license would be listed under Subchapter F, Chapter 392 of the Finance Code.

Methodology

Information and estimates provided by the Department of Licensing and Regulation were used as the basis of developing this analysis. Based on information provided by TDLR, the estimated population of Third Party Debt Collectors is 1,961 and fees would be collected by the department and deposited into General Revenue. Also based on the analysis of TDLR, it is assumed that an additional 7.0 FTEs would be required to license, regulate and enforce the provisions of the bill. This would include: 2.0 Licensing Specialist Administrative Assistant III; 2.0 Budget Analyst V - in compliance to support licensing in initial investigations to determine that the financial responsibility, experience, character and general fitness of the applicant are sufficient to command the confidence of the public and warrant the belief that the business will be operated lawfully and fairly and to support Enforcement in licensing hearings before SOAH and the Commission; 1.0 Legal Assistant II (Intake) - for complaints; 1.0 Administrative Assistant III - for complaints; 0.5 Attorney IV prosecutor for Hearings; 0.5 Legal Assistant III - to assist prosecutor, to administer this chapter under the direction of the department and to provide technical expertise to the public, the advisory board, TDLR personnel, and the licensed population.

TDLR anticipates receiving 2,655 complaints each year resulting in 278 hearings each year. TDLR anticipates a cost of \$7,844 each fiscal year for each licensee requiring a criminal history background check at \$1 each.

In addition to salary and benefit costs in the amount of \$460,426 each year, it is assumed that the agency would incur other costs of \$18,900 each year in rent for space for the additional FTEs, \$10,500 in Other Operating Expenses each year, \$375 in Travel each year, \$42,455 in Equipment in fiscal year 2012 and \$17,255 in Computer Technology Equipment in fiscal year 2012. Since TDLR is statutorily required to cover the cost of its operations with fee generated revenue, it is assumed that the agency would adjust fees as necessary to cover all costs associated with implementing the provisions of the bill.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 452 Department of Licensing and Regulation, 466 Office of Consumer Credit Commissioner

LBB Staff: JOB, AG, MW, CWS