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Fiscal Note

Drafting Number: LLS 21-0227 Date: April 06, 2021
Prime Sponsors: Rep. Kipp Bill Status: House Business
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Bill Topic: PROTECTIONS IN CONSUMER SALES TRANSACTIONS

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

This bill amends the Colorado Consumer Protection Act to address cancellation of social referral services, automatic renewals, and trial period offers. It increases state revenue and expenditures on an ongoing basis.

Appropriation Summary: No appropriation is required.

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

Summary of Legislation

This bill amends the Colorado Consumer Protection Act to address cancellation of social referral services, automatic renewals, and trial period offers.

Social referral services. The bill requires that each contract for a social referral service provide the buyer with three business days to cancel after receiving a copy of the written contract or the date upon which the social referral service is made available to the customer, whichever is later. Social referral services include dating, matrimonial, or personal referral services. Contracts must include a notice of cancellation with information specified in the bill. A seller that receives a timely notice of cancellation is required to refund all the money paid by the buyer within 10 business days.

Automatic renewals. For paid subscriptions or purchasing agreements that are automatically renewed at the end of a definite term, it is unlawful for a person to:

- fail to present the automatic renewal offer terms in a clear and conspicuous manner;
charge the consumer's credit card, debit card, or account without obtaining affirmative consent to the renewal;
fail to provide a written acknowledgment of terms; and
fail to provide a simple mechanism for cancelling an automatic renewal.

Trial period offers. A person who sells a consumer a contract with a trial period that includes an automatic renewal must notify the consumer of the automatic renewal at least 15 days and no more than 30 days before the expiration of the trial period and obtain the consumer's consent before charging for the renewal.

Exceptions. The bill does not apply to a service provided certain regulated entities such as banks, insurance companies, or cable television companies.

State Revenue

This bill may result in an increase in revenue from civil penalties and filing fees for trial courts. This revenue is subject to TABOR and has not been estimated.

State Expenditures

This bill will increase workload in the Department of Law and the Judicial Department beginning in FY 2021-22 as described below.

Department of Law. This bill will increase the number of complaints received by the department under the Colorado Consumer Protection Act. The department will assess these complaints along with all other complaints and address the complaints that are deemed the highest priority. As such, the department will address any workload associated with this bill within existing resources.

Judicial Department. This bill may lead to the filing of civil lawsuits for remedies around the execution of such contracts. While the workload may increase due to this legislation, any increase is minimal, and can be addressed within existing resources.

TABOR refunds. The bill increases state revenue subject to TABOR. For FY 2022-23, the March 2021 LCS forecast projects revenue to fall short of the TABOR limit by \$28.6 million, or 0.2 percent of the limit. If actual revenue exceeds the limit, the bill will increase the amount required to be refunded to taxpayers from the General Fund in FY 2023-24.

Local Government

This bill may increase workload for district attorneys to bring actions for violations as unfair trade practices. The fiscal note assumes there will be few, if any, cases addressed at the local level.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

State and Local Government Contacts

District Attorneys
Judicial

Information Technology
Law