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Fiscal Note

Drafting Number: LLS 21-0770 Date: February 20, 2021
Prime Sponsors: Sen. Hansen; Rankin Bill Status: Senate Appropriations
Rep. McCluskie Fiscal Analyst: Matt Bishop | 303-866-4796
Matt.Bishop@state.co.us

Bill Topic: COLLECTION OF STATE DEBTS

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

The bill repeals the Central Collection Services Section in the Department of Personnel and Administration, and authorizes state agencies to perform debt collection in-house instead. It reduces state expenditures and creates a state transfer in the current FY 2020-21, and increases state expenditures in FY 2021-22.

Appropriation Summary: For FY 2020-21, the bill includes a reduction of \$1,370,478 to the Department of Personnel and Administration. For FY 2021-22, the bill requires an appropriation of \$50,625 to the Department of Revenue.

Fiscal Note Status: The fiscal note reflects the introduced bill, as recommended by the Joint Budget Committee.

Table 1
State Fiscal Impacts Under SB 21-055

Table with 4 columns: Category, Sub-category, Current Year FY 2020-21, Budget Year FY 2021-22, Out Year FY 2022-23. Rows include Revenue (Total Revenue), Expenditures (General Fund, Cash Funds, Total Expenditures, Total FTE), Transfers (General Fund, Cash Funds, Net Transfer), and TABOR Refund.

Summary of Legislation

Under current law, the State Controller is responsible for administering debt collection on behalf of state agencies. The bill repeals the Central Collection Services Section in the Department of Personnel and Administration (DPA), including the controller's debt collection fee. The authority and ability to collect debt by various methods is transferred to state agencies, and the bill requires the Controller to promulgate rules for state agencies to use regarding debt collection.

The bill repeals the Debt Collection Fund and transfers the balance of the fund to the General Fund on June 30, 2021.

Background

The Central Collection Services Section is responsible for administering debt collection on behalf of state agencies via lottery offsets, limited gaming offsets, state tax refund offsets, and private collections agencies. The section has not been collecting sufficient revenue to support its operations, and was effectively closed down in 2020.

Assumptions

While the bill permits state agencies to pursue debt collection, the fiscal note assumes that they will do so only to the extent that any revenue collected would sufficiently offset associated expenses.

State Revenue

The bill has an indeterminate impact on state revenue. As the bill permits, but does not require, state agencies to engage in debt collection activities, any change in revenue depends on the extent to which agencies do so and the extent to which they are effective.

State Transfers

The bill requires the balance of the Debt Collection Fund to be transferred to the General Fund on June 30, 2021. The fund's current balance is \$61,942; however, some of these fund will be used to pay off existing obligations associated with the program, such as ending leases.

State Expenditures

The bill increases state expenditures in the Department of Revenue by \$50,625 FY 2021-22 only, and increases workload in other state agencies beginning in FY 2021-22. These costs are discussed below.

Department of Revenue. This bill requires expenditures of \$50,625 to program the Department of Revenue's GenTax software system to allow state agencies to certify debts in order to capture state tax refunds or lottery winnings. This cost is based on 225 hours of contract computer programing at a

rate of \$225 per hour. Costs for testing at the department can be accomplished within existing appropriations.

Department of Law. To the extent that state agencies contract with private collections agencies for debt repayment, the Department of Law will provide advice, guidance, and support in monitoring those contracts. Because the extent to which state agencies will request these services is unknown, the fiscal note does not estimate their total cost. If the number of hours of legal services is small, it can be accomplished within existing appropriations. However, if some state agencies require a significant number legal services hours, those costs will require reappropriations to the Department of Law and will be addressed through the annual budget process. Based on prior debt collection data, such agencies may include the Department of Human Services, the Department of Labor and Employment, the Department of Public Health and Environment, the Department of Transportation, and the Secretary of State.

Department of Personnel and Administration. In FY 2021-22, DPA will require legal services for rulemaking. This workload can be accomplished within existing appropriations.

Other state agencies. To the extent that state agencies pursue debt collection activities, workload in those departments will increase. This workload is expected to be accomplished within existing appropriations. If additional appropriations are required for any agency, it is assumed they will be addressed through the annual budget process.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature, and applies to debts incurred on or after January 1, 2021.

State Appropriations

For the current FY 2020-21, the bill includes a reduction in appropriations of \$1,370,478 and 3.7 FTE from the Department of Personnel and Administration.

For FY 2021-22, the bill requires a General Fund appropriation of \$50,625 to the Department of Revenue.

State and Local Government Contacts

Information Technology
Revenue

Law
Treasury

Personnel