

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0675-02
Bill No.: HCS for HB 519
Subject: Contracts and Contractors; Attorneys; Consumer Protection
Type: Original
Date: March 13, 2019

Bill Summary: This proposal establishes the Litigation Financing Consumer Protection Act.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
General Revenue	Could exceed (\$38,233)	Could exceed (\$41,134)	Could exceed (\$41,554)
Total Estimated Net Effect on General Revenue	Could exceed (\$38,233)	Could exceed (\$41,134)	Could exceed (\$41,554)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Department of Insurance Dedicated Fund (0566)	Less than \$20,000	Less than \$20,000	Less than \$20,000
Total Estimated Net Effect on <u>Other</u> State Funds	Less than \$20,000	Less than \$20,000	Less than \$20,000

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
General Revenue	Could exceed .5 FTE	Could exceed .5 FTE	Could exceed .5 FTE
Total Estimated Net Effect on FTE	Could exceed .5 FTE	Could exceed .5 FTE	Could exceed .5 FTE

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Sections 408.900 - 408.914

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** state that it is unknown how many litigation financiers may need to be registered under the provisions of this bill. The Division of Finance believes it can absorb the potential registration for a small number of entities. However, should the number of entities be greater than anticipated, the Division of Finance would request additional appropriation and/or FTE through the budget process.

Oversight assumes income of less than \$20,000 from applications (\$100) and amended filing fees (\$20) in Section 408.902.1(3)(b) and 408.902.3.

Officials from the **Attorney General's Office (AGO)** state that their department would require 0.5 to 1 FTE AAG (\$45,500/annually) to meet the enforcement and investigative demands outlined in 408.910 of this proposal.

Oversight notes the AGO ranged their impact from .5 FTE to 1.0 FTE Assistant Attorney General. Oversight will reflect the fiscal impact to the AGO as Could Exceed the .5 FTE costs (approximately \$41,000) provided.

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
GENERAL REVENUE FUND			
<u>Costs - AGO -</u>	Could exceed..	Could exceed...	Could exceed...
Personal Service (.5 FTE)	(\$18,958)	(\$22,978)	(\$23,207)
Fringe Benefits	(\$11,032)	(\$13,307)	(\$13,377)
Expense & Equipment	<u>(\$8,243)</u>	<u>(\$4,849)</u>	<u>(\$4,970)</u>
	Could exceed	Could exceed	Could exceed
<u>Total Costs - AGO</u>	(\$38,233)	(\$41,134)	(\$41,554)
	Could exceed	Could exceed	Could exceed
FTE Change - AGO	.5 FTE	.5 FTE	.5 FTE
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	Could exceed <u>(\$38,233)</u>	Could exceed <u>(\$41,134)</u>	Could exceed <u>(\$41,554)</u>
Estimated Net FTE Change for General Revenue	Could exceed .5 FTE	Could exceed .5 FTE	Could exceed .5 FTE
DEPARTMENT OF INSURANCE DEDICATED FUND			
<u>Revenue - DIFP</u>	Less than	Less than	Less than
Registration Fees § 408.902.1(3)(b) §408.902.3.	<u>\$20,000</u>	<u>\$20,000</u>	<u>\$20,000</u>
ESTIMATED NET EFFECT TO THE DEPARTMENT OF INSURANCE DEDICATED FUND	Less than <u>\$20,000</u>	Less than <u>\$20,000</u>	Less than <u>\$20,000</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This bill creates the "Litigation Financing Consumer Protection Act." A litigation financier shall not engage in litigation financing in this state unless he or she is registered and has filed an approved bond. The bill allows a consumer to assign a contingent right to the potential proceeds of a legal claim to obtain legal financing. The maximum interest rate a consumer shall pay for litigation financing is 17%. The bill also limits the annual fees that may be charged to the consumer, and provides that all such litigation financing transactions may not exceed a term of three years. The bill provides for certain disclosures that must be made in any litigation financing contract. The bill prohibits certain conduct by the litigation financier, including paying consideration to an attorney or medical provider, refer a consumer to any attorney or medical provider, or using false or misleading advertising.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Insurance, Financial Institutions and Professional Registration
Attorney General's Office
Office of the State Courts Administrator



Kyle Rieman
Director
March 13, 2019

Ross Strope
Assistant Director
March 13, 2019