

**Department of Legislative Services**  
 Maryland General Assembly  
 2010 Session

**FISCAL AND POLICY NOTE**  
**Revised**

House Bill 402

(Chair, Economic Matters Committee)(By Request -  
 Departmental - Labor, Licensing and Regulation)

Economic Matters

Finance

**Collection Agencies - Application and Renewal Fees**

This departmental bill repeals existing \$400 statutory fees for new and renewal collection agency licensees and requires the State Collection Agency Licensing Board to establish fees by regulation. The bill further authorizes a new fee for the investigation of prospective collection agency licensees and establishes a \$900 fee limit per biennial licensure term. Any fees established by the board must (1) reasonably cover the actual direct and indirect costs of regulating collection agencies; and (2) be published by the board. Moreover, the bill specifies that the statutory fees remain in effect until the fees set by regulation take effect.

**Fiscal Summary**

**State Effect:** General fund fee revenues increase by \$225,000 in FY 2012 and each fiscal year thereafter to cover the actual direct and indirect costs of regulating collection agencies. Expenditures are not affected.

(in dollars)	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
GF Revenue	\$0	\$225,000	\$225,000	\$225,000	\$225,000
Expenditure	0	0	0	0	0
Net Effect	\$0	\$225,000	\$225,000	\$225,000	\$225,000

*Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect*

**Local Effect:** The bill does not directly affect local finances or operations.

**Small Business Effect:** The Department of Labor, Licensing and Regulation (DLLR) has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

## Analysis

**Current Law:** An applicant for a collection agency license must submit an application to the State Collection Agency Licensing Board, pay a \$400 nonrefundable application fee, and post a \$5,000 surety bond. If the applicant wants to operate as a collection agency in more than one location, separate applications and respective fees must be submitted. Licenses are issued for two-year terms, subject to the submission of a renewal application and \$400 renewal fee. Renewal applicants must also file a bond or bond continuation certificate with the board.

**Background:** The State Collection Agency Licensing Board consists of the Commissioner of Financial Regulation, two collection agency industry representatives, and two consumer members. As of July 27, 2009, there were 1,452 collection agency licensees, but only 1,018 collection agency firms operating in Maryland, not including all branch offices. The Office of the Commissioner of Financial Regulation notes that the current \$400 license fee for a two-year license has not been increased since it was established in 1996. Nationwide, the average collection agency licensing fee exceeds \$450 per year.

The Department of Legislative Services prepared a preliminary sunset evaluation report of the board in 2009 pursuant to statutory requirements of the Maryland Program Evaluation Act. A full evaluation of the board will take place during the 2010 legislative interim.

**State Fiscal Effect:** The Office of the Commissioner of Financial Regulation estimates that the general fund expenditures associated with regulating Maryland collection agencies significantly exceed the revenues collected from licensees. In the Preliminary Sunset Evaluation of the State Collection Agency Licensing Board, the Office of the Commissioner of Financial Regulation estimated that, for fiscal 2009, it received \$270,000 in general fund revenues from licensing fees. The office also projected a budget of \$474,142 in general fund expenditures, including:

- \$55,853 for shared administrative and legal staff;
- \$150,600 for work performed by the office's complaint unit;
- \$61,880 for work by the licensing unit;
- \$28,000 for executive staff time;
- \$47,413 for human resources and other DLLR support;
- \$45,938 for investigative staff;
- \$10,375 for legal enforcement; and
- \$74,083 for materials, rent, information technology, and other costs.

Estimated direct and indirect costs incurred by the Office of the Commissioner of Financial Regulation exceeded licensing revenues by approximately \$204,000 in fiscal 2009. As such, the licensing fees will need to be increased to cover the costs of regulating collection agencies. Assuming a slight increase in the number of collection agencies seeking to do business in the State given the current economic conditions, and proportional increases in the costs of regulating those licensees, the structural operating deficit may increase to \$225,000 by fiscal 2012. However, the bill's \$900 fee limit per biennial license should provide sufficient revenue to offset the costs of regulating collection agency licensees.

DLLR advises that it will study current revenues and expenditures related to collection agencies and prepare an analysis before the new fees are established in regulations. Thus, this estimate assumes general fund revenues increase by \$225,000 annually beginning in fiscal 2012 with the adoption of new fees, as current statutory fees remain in place until then.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Department of Labor, Licensing, and Regulation; Department of Legislative Services

**Fiscal Note History:** First Reader - February 15, 2010  
mpc/ljm Revised - House Third Reader/Updated Information - March 27, 2010  
Revised - Enrolled Bill - May 26, 2010

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## ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Collection Agencies – Application and Renewal Fees

BILL NUMBER: HB 402

PREPARED BY: Department of Labor, Licensing and Regulation

### PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

### PART B. ECONOMIC IMPACT ANALYSIS

The proposed legislation will have no impact on small business in Maryland.