

  
*Colorado Legislative Council Staff Fiscal Note*  
**STATE**  
**REVISED FISCAL IMPACT**  
(replaces fiscal note dated March 29, 2010)

<b>Drafting Number:</b> LLS 10-1030	<b>Date:</b> March 30, 2010
<b>Prime Sponsor(s):</b> Rep. Lambert	<b>Bill Status:</b> House Second Reading
Sen. Tapia	<b>Fiscal Analyst:</b> Clare Pramuk (303-866-2677)

**TITLE:** CONCERNING FEES COLLECTED BY THE DIVISION OF INSURANCE TO FUND INSURANCE FRAUD CASES PURSUED BY THE DEPARTMENT OF LAW.

Fiscal Impact Summary	FY 2010-2011	FY 2011-2012
<b>State Revenue</b>		
Cash Funds		
Division of Insurance Cash Fund	(\$860,186)	(\$860,186)
Insurance Fraud Cash Fund	931,260	931,260
<b>State Expenditures</b>		
Cash Funds		
Division of Insurance Cash Fund	(\$860,186)	(\$860,186)
Insurance Fraud Cash Fund	860,186	860,186
<b>FTE Position Change</b>		
<b>Effective Date:</b> Upon signature of the Governor, or upon becoming law without his signature.		
<b>Appropriation Summary for FY 2010-2011:</b> See State Appropriations section.		
<b>Local Government Impact:</b> None.		

**Summary of Legislation**

This bill, **as amended by the House Appropriations Committee**, replaces the \$425 annual fee paid by insurance companies for the Department of Law to investigate and prosecute allegations of insurance fraud with a fee set by the Attorney General sufficient to cover those costs and create a 3-month reserve. The Division of Insurance in the Department of Regulatory Agencies collects the current fee and will collect the new fee and transmit the moneys to the newly created Insurance Fraud Cash Fund.

**State Revenue**

Revenue from the current \$425 fee was \$705,500 in FY 2008-09 and insufficient to cover the fraud program costs for the Department of Law. The shortfall was funded by the Division of Insurance Cash Fund from premium taxes that would have otherwise been deposited into the General Fund. To fully fund the program and establish a reserve, cash funds revenue is expected to increase by \$225,760 in FY 2010-11 and FY 2011-12 from fees on insurance companies. Revenues will be

deposited into the Insurance Fraud Cash Fund for direct appropriation to the Department of Law rather than the Division of Insurance Cash Fund. The new revenue amounts will exceed the reduction from the Division of Insurance Cash fund to include moneys to build the cash fund reserve.

**Fee Impact on Individuals, Families or Business.** Section 2-2-322, C.R.S., requires legislative service agency review of measures which create or increase any fee collected by a state agency. The fee includes \$43 or \$71,380 in FY 2010-11 and FY 2011-12 for establishing the reserve. Table 1 below identifies the fee impact of this bill.

<b>Table 1. Fee Impact on Individuals, Families or Business</b>					
<b>Funding for fraud investigation and prosecution</b>	<b>Current Fee</b>	<b>Proposed Fee</b>	<b>Fee Change</b>	<b>Number Affected</b>	<b>Total Fee Impact</b>
FY 2010-11	\$425	\$561	\$136	1,660	\$225,760
FY 2011-12	\$425	\$561	\$136	1,660	\$225,760
<b>2-YEAR TOTAL</b>					<b>\$451,520</b>

### **State Expenditures**

This bill has no net effect on expenditures of the Department of Law, but reduces funding from the Department of Regulatory Agencies by \$860,186 from the Division of Insurance Cash Fund and increases cash funds from the Insurance Fraud Cash Fund by the same amount. The fiscal note assumes that the Department of Law will be responsible for management of the cash fund.

### **State Appropriations**

The bill includes the required appropriations for FY 2010-11.

### **Departments Contacted**

Joint Budget Committee

Law

Regulatory Agencies