

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 634 - HB 1163

February 28, 2019

SUMMARY OF ORIGINAL BILL: Effective January 1, 2020, requires travel promoters to post a \$10,000 surety bond per business location, with certain exemptions based on net worth or length of ownership, available to the Attorney General and Reporter or an unfulfilled consumer for customer restitution. Establishes that a violation of this Act is an unfair and deceptive act or practice in violation of the *Consumer Protection Act of 1977 (the Act)*.

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

IMPACT TO COMMERCE OF ORIGINAL BILL:

Other Commerce Impact – Business expenditures will increase for travel promoters by unknown amounts to issue and retain a surety bond through a commercial provider.

SUMMARY OF AMENDMENT (004348): Deletes and rewrites all language after the enacting clause such that the only substantive change is travel promoters are required to establish and maintain a separate trust account to retain customer funds that are held for disbursement for payment of travel services, in lieu of issuing a surety bond for the business.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Unchanged from the original fiscal note.

Assumptions for the bill as amended:

- The proposed legislation may result in an increase in formal complaints to the Division of Consumer Affairs; however, any such increase is estimated to be accommodated within existing resources.
- The proposed legislation may result in an increase in bond payout; however, any such cases are assumed to be rare resulting in no significant impact to state or local government.

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- Committing an unfair or deceptive practice under *the Act* is a Class B misdemeanor offense.
- There will not be a sufficient number of prosecutions for state or local government to experience any significant increase in revenue or expenditures.

IMPACT TO COMMERCE WITH PROPOSED AMENDMENT:

Other Commerce Impact – Business expenditures will increase for travel promoters by unknown amounts as the result of trust administrative fees charged by the respective financial institutions managing such trust funds.

Assumptions for the bill as amended:

- The proposed amendment requires a travel promotor conducting business in this state to establish and maintain a separate trust fund, with a state or national bank authorized to administer trust funds, to retain and distribute customer funds for payment of travel services.
- Trust administration fees vary by a wide range, but typically include initial fees, and flat fees or percentages of the amount of assets in the trust fund.
- Once customer funds are placed in a trust fund, business expenditures will increase by unknown amounts to pay the chosen bank's trust administration fees.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

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