

STATE BOARD OF COLLECTION AGENCIES

Enabling Laws

Act 2268 of 2005

Div of Collection Agencies: A.C.A. §17-24-101

Div of Check-Cashing: A.C.A. §23-52-101

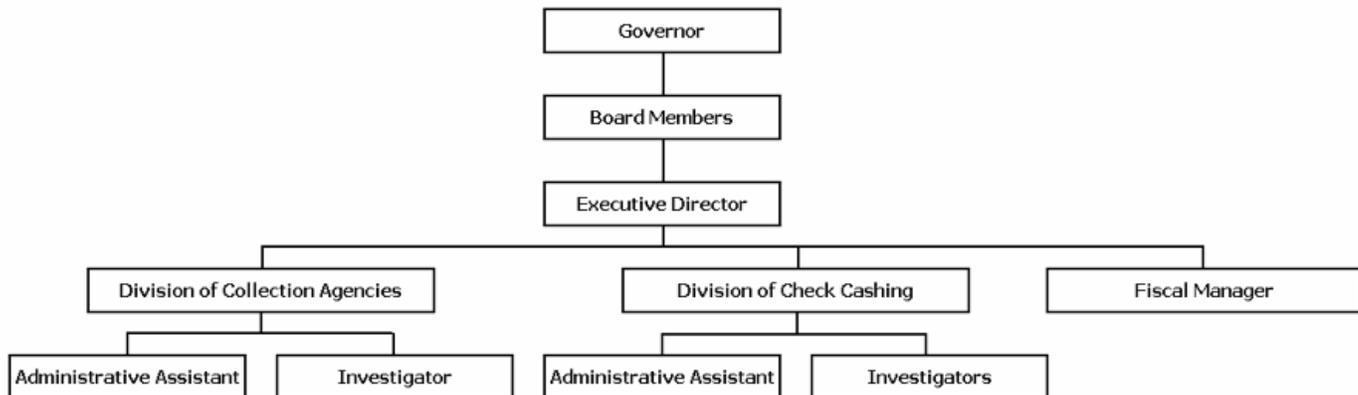
History and Organization

The Arkansas State Board of Collection Agencies (ASBCA) was created by Act 145 of 1965. The ASBCA is comprised of two divisions: 1) the Division of Collection Agencies and 2) the Division of Check-Cashing. The Division of Check-Cashing was created by Act 1216 of 1999.

The Division of Collection Agencies is responsible for licensing collection agencies, investigating and prosecuting violations of Arkansas collection law, enforcing bonding requirements and monitoring the activities of approximately 1000 collection agencies. The ASBCA investigates consumer complaints such as non-remittance of client funds, prohibited collection practices or unlicensed activity. When a complaint is lodged, the ASBCA initiates an investigation. Upon completion of the investigation appropriate remedies are applied. Remedies may include a formal hearing before the Board which may result in suspension or revocation of the collection agency's license, civil fines and/or criminal prosecution.

The Division of Check-Cashing is charged with licensing and regulating check-cashing and deferred presentment of checks; imposing fines and penalties for violations of the check-cashing laws and granting exemptions from licensing. The Division of Check-Cashing currently oversees the activities of approximately 220 check-cashing locations in Arkansas.

The ASBCA aspires to reduce undesirable collection and check-cashing activities and to increase industry and consumer awareness of the applicable laws.



Agency Commentary

The Arkansas State Board of Collection Agencies is responsible for licensing and monitoring collection agencies located within Arkansas and those located outside Arkansas that contact Arkansas debtors or solicit Arkansas creditors' accounts for collection. The Board also licenses and regulates check-cashing stores located in Arkansas. The agency receives no funding from the State because the operations of the agency are funded from receipts of licensing fees, penalties, and fines imposed by the Board. The Board is requesting an increase in Conference and Travel Expenses so that the check-cashing field investigators may attend yearly training seminars hosted by the National Association of Consumer Credit Administrators. An increase in Professional Fees is requested to pay for hearing officers, transcription fees and legal counsel for the Division of Check-Cashing's hearings and litigation. An increase in the Division of Check-Cashing's Operating Expenses is requested so that its database may be upgraded. The Division of Collection Agencies is asking for an additional Field Investigator position as well as Operating Expenses to appropriate \$115,000 and \$600,000 which must be paid to DHHS and UAMS, respectively, in accordance with Act 2268 of 2005. This is the first request for budget increases in three biennia.

Audit Findings

DIVISION OF LEGISLATIVE AUDIT
AUDIT OF :
STATE BOARD OF COLLECTION AGENCIES
FOR THE YEAR ENDED JUNE 30, 2005

Findings	Recommendations
None	None

Employment Summary

	Male	Female	Total	%
White Employees	1	3	4	67 %
Black Employees	0	1	1	17 %
Other Racial Minorities	0	1	1	16 %
Total Minorities			2	33 %
Total Employees			6	100 %

Cash Fund Balance Description as of June 30, 2006

Fund Account	Balance	Type	Location
3100000	\$5,255,195	Checking, Money Market, CD	Metropolitan National Bank

Statutory/Other Restrictions on use:

A.C.A. §17-25-205 Fees shall be deposited in a bank & used for expenses of board.

Statutory Provisions for Fees, Fines, Penalties:

A.C.A. §17-24-103 & 105 Set penalties and secure writ of injunction to prohibit operations.

Revenue Receipts Cycle:

Funds are deposited in bank account as received.

Fund Balance Utilization:

Funds are collected throughout the year and used for expenses.

Fund Account	Balance	Type	Location
3850100	\$388,252	Checking	Metropolitan National Bank

Statutory/Other Restrictions on use:

A.C.A. §17-24-305 Creates annual fee & disposition of income from these fees.

Statutory Provisions for Fees, Fines, Penalties:

A.C.A. §23-52-108 Provide for application and fee procedures.

Revenue Receipts Cycle:

Funds are deposited in bank account as received.

Fund Balance Utilization:

Funds are collected throughout the year and used for expenses.

Publications

A.C.A 25-1-204

Name	Statutory Authorization	Required for		# Of Copies	Reason (s) for Continued Publication and Distribution
		Governor	General Assembly		
None	N/A	N	N	0	N/A

Department Appropriation

Appropriation	Historical Data						Agency Request and Executive Recommendation							
	2005-2006		2006-2007		2006-2007		2007-2008				2008-2009			
	Actual	Pos	Budget	Pos	Authorized	Pos	Agency	Pos	Executive	Pos	Agency	Pos	Executive	Pos
A56 Cash Operations	344,630	4	1,941,506	4	326,260	4	1,326,508	4	1,326,508	4	1,326,508	4	1,326,508	4
B99 Div of Check-Cashing	146,664	2	202,779	3	193,633	3	333,826	4	333,826	4	331,826	4	331,826	4
Total	491,294	6	2,144,285	7	519,893	7	1,660,334	8	1,660,334	8	1,658,334	8	1,658,334	8

Funding Sources		%		%		%		%		%		%			
Fund Balance	4000005	5,614,772	89.9	5,754,276	85.2			4,609,991	82.2	4,609,991	82.2	3,949,657	79.8	3,949,657	79.8
Cash Fund	4000045	630,798	10.1	1,000,000	14.8			1,000,000	17.8	1,000,000	17.8	1,000,000	20.2	1,000,000	20.2
Total Funds		6,245,570	100.0	6,754,276	100.0			5,609,991	100.0	5,609,991	100.0	4,949,657	100.0	4,949,657	100.0
Excess Appropriation/(Funding)		(5,754,276)		(4,609,991)				(3,949,657)		(3,949,657)		(3,291,323)		(3,291,323)	
Grand Total		491,294		2,144,285				1,660,334		1,660,334		1,658,334		1,658,334	

FY06 Actual and FY07 Budgeted amounts exceed the Authorized amount in the Cash Operations account (A56) due to additional appropriation received from the DFA Cash Holding Account. FY07 Budgeted amount exceeds the Authorized amount in the Division of Check Cashing account (B99) due to an increase in the Retirement Matching rate.

Agency Position Usage Report

FY2004-2005						FY2005-2006						FY2006-2007					
Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused
	Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total	
6	5	1	6	0	16.67%	7	6	1	7	0	14.29%	7	6	1	7	0	14.29%

Analysis of Budget Request

Appropriation: A56 - Cash Operations

Funding Sources: 310 - Collection Agencies Board - Cash

The State Board of Collection Agencies is responsible for such matters as licensing, revocation of licenses, investigation and prosecution of violations, enforcement of bonding requirements, setting and enforcing standards of ethical operations, and generally policing the activities of approximately four hundred seventy-five collection agencies presently operating in Arkansas. The aspiration of the SBCA is to reduce undesirable collection activity, fraud, misrepresentation of client funds, and unprofessional conduct. It is funded with the receipts of license fees for collection agencies.

A cost of living increase is not incorporated in Base Level pending the outcome of the Classification and Compensation Study. The Base Level request of \$176,427 each year of the biennium for Regular Salaries does include board member Stipend payments. Personal Services Matching may reflect increases in the Base Level due to certain increases in Worker's Compensation and Unemployment Tax rates. Personal Services Matching also includes a \$30 increase in the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$350 per month.

The Board is requesting Base Level and \$1,000,000 in appropriation in order to transfer funds by warrant to the Medical Services Division of the Department of Health & Human Services and to the Colleges of Pharmacy and Nursing at the University of Arkansas for Medical Sciences pursuant to Section 7 of Act 2268 of 2005.

The Executive Recommendation provides for the Agency Request, however the Executive recommends that the request for Grants appropriation be established as a separate line item. Expenditure of appropriation is contingent upon available funding.

Appropriation

Appropriation: A56 Cash Operations
Funding Sources: 310 - Collection Agencies Board - Cash

Commitment Item	Historical Data			Agency Request and Executive Recommendation					
	2005-2006 Actual	2006-2007 Budget	2006-2007 Authorized	2007-2008			2008-2009		
				Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries 5010000	143,278	176,427	174,927	176,427	176,427	176,427	176,427	176,427	176,427
#Positions	4	4	4	4	4	4	4	4	4
Extra Help 5010001	0	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
#Extra Help	1	1	1	1	1	1	1	1	1
Personal Services Matching 5010003	47,207	52,721	53,975	52,723	52,723	52,723	52,723	52,723	52,723
Operating Expenses 5020002	149,067	1,674,481	59,481	59,481	1,059,481	59,481	59,481	1,059,481	59,481
Conference & Travel Expenses 5050009	3,212	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500
Professional Fees 5060010	1,866	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800
Data Processing 5090012	0	935	935	935	935	935	935	935	935
Grants and Aid 5100004	0	0	0	0	0	1,000,000	0	0	1,000,000
Claims 5110015	0	24,642	24,642	24,642	24,642	24,642	24,642	24,642	24,642
Capital Outlay 5120011	0	0	0	0	0	0	0	0	0
Total	344,630	1,941,506	326,260	326,508	1,326,508	1,326,508	326,508	1,326,508	1,326,508
Funding Sources									
Fund Balance 4000005	5,255,195	5,364,878		4,223,372	4,223,372	4,223,372	4,696,864	3,696,864	3,696,864
Cash Fund 4000045	454,313	800,000		800,000	800,000	800,000	800,000	800,000	800,000
Total Funding	5,709,508	6,164,878		5,023,372	5,023,372	5,023,372	5,496,864	4,496,864	4,496,864
Excess Appropriation/(Funding)	(5,364,878)	(4,223,372)		(4,696,864)	(3,696,864)	(3,696,864)	(5,170,356)	(3,170,356)	(3,170,356)
Grand Total	344,630	1,941,506		326,508	1,326,508	1,326,508	326,508	1,326,508	1,326,508

FY07 Budgeted amount in Regular Salaries exceeds the Authorized amount due to Stipend payments for board members. FY06 Actual amount and FY07 Budgeted amount in Operating Expenses exceeds the Authorized amount due to additional appropriation received from the DFA Cash Holding Account.

Change Level by Appropriation

Appropriation: A56-Cash Operations

Funding Sources: 310 - Collection Agencies Board - Cash

Agency Request

Change Level		2007-2008	Pos	Cumulative	% of BL	2008-2009	Pos	Cumulative	% of BL
BL	Base Level	326,508	4	326,508	100.0	326,508	4	326,508	100.0
C01	Existing Program	1,000,000	0	1,326,508	406.2	1,000,000	0	1,326,508	406.2

Executive Recommendation

Change Level		2007-2008	Pos	Cumulative	% of BL	2008-2009	Pos	Cumulative	% of BL
BL	Base Level	326,508	4	326,508	100.0	326,508	4	326,508	100.0
C01	Existing Program	0	0	326,508	100.0	0	0	326,508	100.0
C19	Executive Changes	1,000,000	0	1,326,508	406.2	1,000,000	0	1,326,508	406.2

Justification

C01	Agency is requesting \$1,000,000 in appropriation each year to use for Grants to the Department of Health and Human Services and the University of Medical Sciences as required by Section 7 of Act 2268 of 2005.
C19	The Executive Recommendation provides for a Grants line item to be used by the Agency when dispersing grant payments to the Department of Health and Human Services and the University of Medical Sciences.

Analysis of Budget Request

Appropriation: B99 - Div of Check-Cashing

Funding Sources: 385 - Collection Agencies Division of Check-Cashing - Cash

The Division of Check-Cashing was created by Act 1216 of 1999, which is codified as A.C.A. §23-52-101 et seq. The Division of Check-Cashing is charged with licensing and regulating check cashing and deferred presentment of checks, imposing fines and penalties for violations of the check cashing laws and granting exemptions from licensing. The Division of Check-Cashing currently oversees the activities of 350 check cashing companies.

A cost of living increase is not incorporated in Base Level pending the outcome of the Classification and Compensation Study. Personal Services Matching may reflect increases in the Base Level due to certain increases in Worker's Compensation and Unemployment Tax rates. Personal Services Matching also includes a \$30 increase in the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$350 per month.

In addition to Base Level the Board is requesting 1 Field Investigator position and the necessary Maintenance & Operations to address the growing check cashing industry and the enforcement of regulations by the Board for the 2007-09 biennium.

The Executive Recommendation provides for the Agency Request. Expenditure of appropriation is contingent upon available funding.

Appropriation

Appropriation: B99 Div of Check-Cashing
Funding Sources: 385 - Collection Agencies Division of Check-Cashing - Cash

Historical Data

Agency Request and Executive Recommendation

Commitment Item		2005-2006	2006-2007	2006-2007	2007-2008			2008-2009		
		Actual	Budget	Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries	5010000	62,678	102,979	102,979	102,979	140,320	140,320	102,979	140,320	140,320
#Positions		2	3	3	3	4	4	3	4	4
Extra Help	5010001	1,057	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
#Extra Help		1								
Personal Services Matching	5010003	24,939	32,694	23,548	33,838	45,600	45,600	33,838	45,600	45,600
Operating Expenses	5020002	33,991	30,006	55,006	30,006	71,006	71,006	30,006	69,006	69,006
Conference & Travel Expenses	5050009	0	2,300	2,300	2,300	3,300	3,300	2,300	3,300	3,300
Professional Fees	5060010	23,999	29,000	4,000	29,000	67,800	67,800	29,000	67,800	67,800
Data Processing	5090012	0	800	800	800	800	800	800	800	800
Capital Outlay	5120011	0	0	0	0	0	0	0	0	0
Total		146,664	202,779	193,633	203,923	333,826	333,826	203,923	331,826	331,826
Funding Sources										
Fund Balance	4000005	359,577	389,398		386,619	386,619	386,619	382,696	252,793	252,793
Cash Fund	4000045	176,485	200,000		200,000	200,000	200,000	200,000	200,000	200,000
Total Funding		536,062	589,398		586,619	586,619	586,619	582,696	452,793	452,793
Excess Appropriation/(Funding)		(389,398)	(386,619)		(382,696)	(252,793)	(252,793)	(378,773)	(120,967)	(120,967)
Grand Total		146,664	202,779		203,923	333,826	333,826	203,923	331,826	331,826

FY06 Actual and FY07 Budgeted amounts in Personal Services Matching exceeds the Authorized amount due to a increase in Retirement matching rates. FY06 Actual and FY07 Budgeted amounts in Professional Fees exceeds the Authorized amount due to a Budget Classification Transfer from Operating Expenses.

Change Level by Appropriation

Appropriation: B99-Div of Check-Cashing

Funding Sources: 385 - Collection Agencies Division of Check-Cashing - Cash

Agency Request

Change Level		2007-2008	Pos	Cumulative	% of BL	2008-2009	Pos	Cumulative	% of BL
BL	Base Level	203,923	3	203,923	100.0	203,923	3	203,923	100.0
C01	Existing Program	129,903	1	333,826	163.7	127,903	1	331,826	162.7

Executive Recommendation

Change Level		2007-2008	Pos	Cumulative	% of BL	2008-2009	Pos	Cumulative	% of BL
BL	Base Level	203,923	3	203,923	100.0	203,923	3	203,923	100.0
C01	Existing Program	129,903	1	333,826	163.7	127,903	1	331,826	162.7

Justification

C01 Agency is requesting the following: One additional Field Investigator position to enforce regulations of Agency. Additional Operating Expenses appropriation to cover increased costs of rent, utilities and expenses incurred by investigators traveling all around this State making sure businesses are complying with the law; additional Conference & Travel Expenses so that the check cashing field investigators can attend yearly training seminars and additional Professional Fees to pay for hearing officers, transcription fees and hiring outside legal counsel when the Attorney General's office cannot do so.