The Bell Policy Center

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Amend: Credit Transaction Charge Limitations (SB21-091)

Testimony to House Business Affairs & Labor Committee

Andrea Kuwik, Policy Analyst • May 26, 2021

Thank you for the opportunity to submit written testimony for SB21-091. My name is Andrea Kuwik, and I'm a policy analyst with the Bell Policy Center. The Bell Policy Center provides policymakers, advocates, and the public with reliable resources to create a practical policy agenda that promotes economic mobility for every Coloradan.

The Bell is an amend position on SB21-091. We appreciate the stated intent of this bill: to help businesses, especially smaller ones, who, currently, are largely responsible for absorbing credit card transaction costs. However, we are deeply concerned about the bill's unintended consequences for the many Coloradans who use credit to pay for essential, expensive items such as medical bills, housing, and child care.

For too many Coloradans, there's a direct line between the use of credit and financial precarity. For example, we know:

- Nearly 30 percent of Coloradans live between poverty and the middle class, a perilous position where one crisis can lead to economic calamity and a struggle to pay for basic necessities.
- Nearly one-quarter of all Coloradans have at least some debt in collections.

While financial uncertainty existed for many before COVID-19, it's likely these conditions have worsened over the past year. As of September, our state had the third highest percentage of residents who took on debt to make ends meet. Additionally, a March 2021 report by the Federal Reserve Bank of Philadelphia estimates 1.8 million households continue to owe approximately $11 billion in rent—debt that is the disproportionate responsibility of women and individuals of color.

We're concerned that if this bill passes, a greater financial burden will be placed upon already economically vulnerable Coloradans who have little choice in how they pay for necessary items.

Reporting suggests, credit remains an essential way to afford basic necessities. For example:

- A 2019 study finds one-third of those with credit cards were in debt because of medical costs. Concerningly 60 percent of these individuals report using a credit card because they lack alternative ways to pay their medical bills.
- Between October of 2019 and October of 2020, the number of individuals using credit cards to pay rent increased by nearly 70 percent.
- A recent national study finds 45 percent of parents who are planning to use child care this coming summer will put this expense on their credit card.

Despite our concerns, we believe there are ways to preserve this bill's intent while also protecting vulnerable families. Specifically, we ask the committee to consider amending the bill to:

1. Exempt medical, rental, and child care transactions from credit card surcharges;
2. Allow surcharges to be applied on goods, but not the exchange of services; or
3. Cap the dollar amount that can be collected through the surcharge on all transactions

Thank you again for the opportunity to submit written testimony, and we respectfully ask the committee to consider the above suggestions as a way to support both businesses and those who are economically vulnerable.