



FROM	NAME & TITLE	Laura Larsen, Budget Director 	CITY of BALTIMORE MEMO	
	AGENCY NAME & ADDRESS	Bureau of the Budget and Management Research Room 469, City Hall		
	SUBJECT	City Council Bill 23-0424 – Unfair, Abusive, or Deceptive Trade Practices - Penalties		

DATE:

TO

The Honorable President and
Members of the City Council
City Hall, Room 400

September 6, 2023

Position: Does Not Oppose

The Department of Finance is herein reporting on City Council Bill 23-0424, Unfair, Abusive, or Deceptive Trade Practices - Penalties, the purpose of which is to prohibit unfair, abusive, or deceptive trade practices; establish civil and criminal penalties for violations; and authorize the City Solicitor, when there is a suspected violation, to investigate and charge businesses.

Background

The proposed legislation addresses part of City Council Bill 23-0347, which aims to create a Department of Business Licensing and Consumer Complaints. That legislation would consolidate administration of specified business licenses; establish consumer protection services, specifically investigation and resolution of individual consumer complaints; and expand the City’s ability to use affirmative litigation on behalf of residents to act against businesses for unfair, abusive, and deceptive practices.

This legislation authorizes the City Solicitor, at their discretion, to take action against businesses that violate consumer protections through unfair, abusive, or deceptive trade practices. This authority also expands the City’s ability to use affirmative litigation, on behalf of residents, to prohibit bad conduct and seek fines when businesses violate the City’s consumer protections. Currently, the City can only take action when businesses harm the City directly.

Fiscal Impact

The Department of Finance anticipates minimal fiscal impact from this legislation on an annual basis. Currently, affirmative litigation cases are managed by staff in the Law Department, along with outside counsel that work on a contingent basis. The Law Department does not anticipate any additional costs will arise from expansion of the City’s affirmative litigation powers to include instances when residents are harmed.

Additionally, the Law Department does not anticipate any costs will arise from individual consumer complaints. While 23-0347 would authorize residents to file individual consumer complaints, this legislation does not provide that same authorization, but authorizes the City Solicitor, at their discretion, to take action in response to consumer protection violations.

In terms of additional revenue resulting from this legislation, Finance does not anticipate that there will be a significant amount of new revenue from individual consumer complaints. Since pursuance of such

cases are at the discretion of the City Solicitor, it is difficult to estimate the number of cases or magnitude of penalties with any regularity.

However, affirmative litigation on behalf of consumers could provide significant new revenues, though it is difficult to estimate the timing and magnitude of such revenues. In recent years, there have been numerous consumer protection cases that have led to large settlements and recoveries for local jurisdictions. These include:

- \$2.5 million settlement for Washington, D.C. from DoorDash in 2020;
- \$2 million settlement for Los Angeles County from Match.com in 2021;
- \$4.5 million court judgment for Washington, D. C. against Polymer80;
- \$2 million settlement for Chicago and \$8 million for Chicago restaurants from UberEats in 2022.

Since 2015, Washington DC's Office of Consumer Protection has secured over \$125 million in penalties, restitution for DC consumers, and other payments through affirmative litigation. While this legislation would authorize and enable the City to engage in litigation of this nature, the timing and magnitude of such revenues is not predictable nor consistent enough to budget based on estimates from these examples.

Conclusion

This legislation expands the City's ability to pursue affirmative litigation to include instances of consumer protections violations that harm residents, which will have minimal fiscal impact for the City.

For the reasons stated above, the Department of Finance does not oppose City Council Bill 23-0424.

cc: Michael Moiseyev
Nina Themelis