

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 695** HLS 16RS 1249
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 16, 2016 2:45 PM	Author: BROADWATER
Dept./Agy.: Revenue/Attorney General	Analyst: Deborah Vivien
Subject: Requires transfer of all delinquent debt to ODR	

REVENUE DEPARTMENT EG SEE FISC NOTE SG RV Page 1 of 1
 Provides relative to the types of debt the office of debt recovery is charged with collecting

Current law requires agencies without a collection contract with the Attorney General to transfer all final debt 60 days or older to the Office of Debt Recovery in the Department of Revenue (LDR). All non-final debt 60 days or older is to be transferred to the Attorney General pursuant to the agreements and rules. It is expected that the Attorney General exhausts all remedies required to make the debt final, after which it is transferred to the Office of Debt Recovery (ODR). ODR is authorized to assess an additional 25% fee on all debt owed that was made final after June 17, 2013. Proposed law adds a definition of final debt as delinquent debt (60 days past due) with no further rights of administrative or judicial review. However, the bill also retains the law establishing that debt unpaid for any reason after 60 days of notice due is deemed final. All final debt, including accrued liabilities, fees, fines, penalties and interest will then be assessed an additional 25% fine that will remain with LDR as self-generated revenue to support agency operations (the limitation to debt made final after June 17, 2013 is repealed). All state agencies (presumably without an AG contract) are required to refer final delinquent debt to ODR (paragraph (A)) or non-final delinquent debt (paragraph (C)(2)(a)) at which time ODR may collect as if final. However, the 25% fine is limited to final debt only.

EXPENDITURES	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Ded./Other	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total						

EXPENDITURE EXPLANATION

According to the Attorney General (AG), the bill may effectively eliminate the role of the Attorney General in debt collection, especially if current collection contracts are impacted. The AG suggests the potential for increased litigation costs if all state debt is deemed "final" using the two notification letter process, citing constitutional due process concerns. The Legislative Fiscal Office cannot assess the likelihood of such a scenario.

REVENUE EXPLANATION

The bill adds a definition of final debt as delinquent debt with no further rights of administrative or judicial review. Non-final debt is defined as debt unpaid for 60 days or more with further rights of administrative or judicial review. Delinquent debt is defined as debt that is past due for 60 days or more.

The bill directs the 25% additional collection fee to be incurred only on final debt. However, the bill appears to allow any debt unpaid after 60 days to be deemed final debt (after notification) and subject to the 25% additional collection fee. Since all delinquent debt is presumably required to be transferred to ODR and, apparently once unpaid for 60 days, is deemed final, it appears that essentially all debt referred to ODR could be subject to the 25% additional fee. Repealing the date limitation of imposing the 25% collection fee on debt made final after June 17, 2013, will subject additional debt to the fee.

Under current law, the Office of Debt Recovery retains the fees as self-generated revenue in accordance with an agreement with the Attorney General. It is not clear how fees would be distributed between ODR and the AG, though presumably an agreement is in place that allows payment to the AG once LDR expenses are paid. The AG has indicated that revenue generated from current state agency collection contracts could be jeopardized if this bill applies to existing contracts, wherein that debt would be referred to ODR instead of the AG.

Further analysis of the working of the program is hampered by apparent inconsistencies in the law concerning when debt is mandated for transfer to ODR. There are currently no rules published for the Office of Debt Recovery program.

Senate Dual Referral Rules House

13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}

6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}

13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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