

Legislative Fiscal Office

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Budget Information Brief / 2012-1

Liquidated and Delinquent Accounts

During the 1999 legislative session, HB 3509 was introduced to provide statutory guidance to state agencies on the collection of past due accounts. The bill amended Chapter 293, Oregon Revised Statutes, *Administration of Public Funds*. The statute now requires state agencies (with some identified exceptions) to turn over to the Department of Revenue, or to private collection agencies, liquidated and delinquent accounts for which no payment has been received within a year. Legislation passed during the 2003 session requires agencies to turn the accounts over for collection if no payment has been received within 90 days, effective January 1, 2004. The statute requires annual reporting of liquidated and delinquent accounts to the Legislative Fiscal Office. The Legislative Fiscal Office (LFO) is required to compile the reports and issue one report to the Legislative Assembly. LFO produced its twelfth report under the statute in December 2011. All twelve complete reports are available on the LFO website.

The first report on liquidated and delinquent accounts receivable was due in 2000 for receivables outstanding at June 30, 2000; however, agencies that were unable to report were exempted from doing so for the first year. The law also excluded the Judicial Branch from the reporting requirement. Even so, the Judicial Branch voluntarily reported beginning in 2001. Since then, the statutory exclusion for the Judicial Branch was removed. For comparison purposes, certain information can be used for analysis and to gain an understanding of the impact of the legislation on the way state agencies manage their liquidated and delinquent accounts.

Liquidated and delinquent accounts defined

Liquidated account is generally defined as one where the exact past due amount is known, proper notification of the debt has been made to the debtor, and there has been a judgment, or a distraint warrant for taxes, or an administrative proceeding has established the debt, etc.

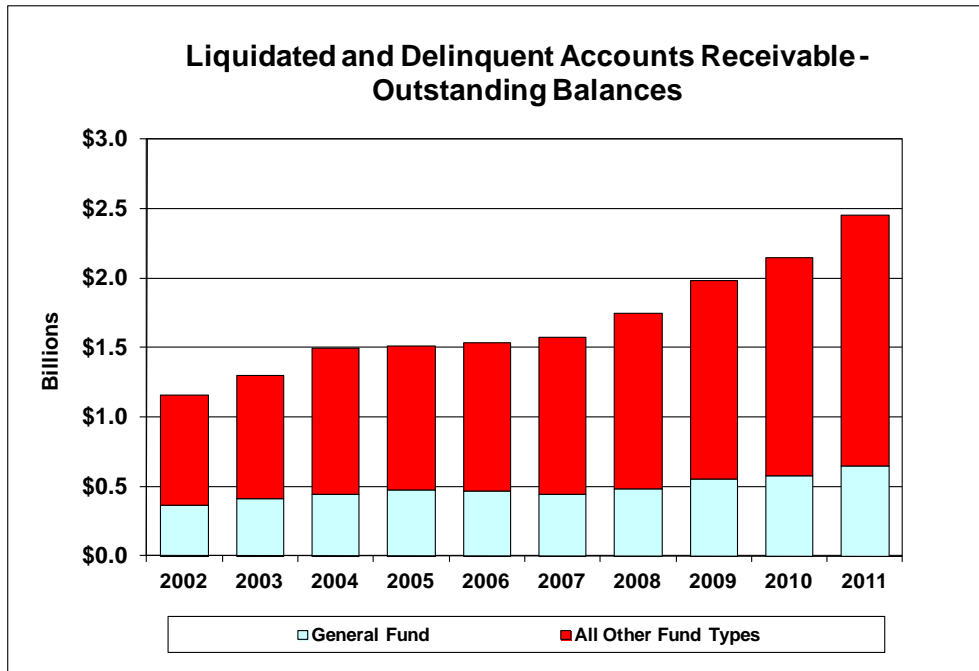
Delinquent account is defined as an account for which payment has not been received by the due date. Most receivables have a specific due date. If any part of that debt is not paid by the due date, the account needs to be reported. Some debts do not have an obvious due date, such as overpayments. The due date for this debt may be determined by the agency. For example, the date on which the agency may start assessing interest or enforcing collection may be the best date to use.

Balances outstanding

Presented on the next page is a chart of the reported liquidated and delinquent account balances outstanding at June 30 of each year and a table of historical data showing the amount of General Fund in the total outstanding balance.

Of the balances outstanding, the General Fund portion amounted to \$645 million in 2011, an increase of \$69 million from 2010. This reflects a 12% increase in the balance from the prior fiscal year; the balance has grown about 7% each fiscal year, on average, over the last 10 years. Of the \$645 million, the Department of Revenue's own receivables accounted for almost \$608 million.

Since the 2002 report period, the General Fund portion has averaged just less than 30% of the total balance. The total liquidated and delinquent debt receivables balance (all funds) has more than doubled since 2002. The graph and chart below display historical balances over the last 10 years.

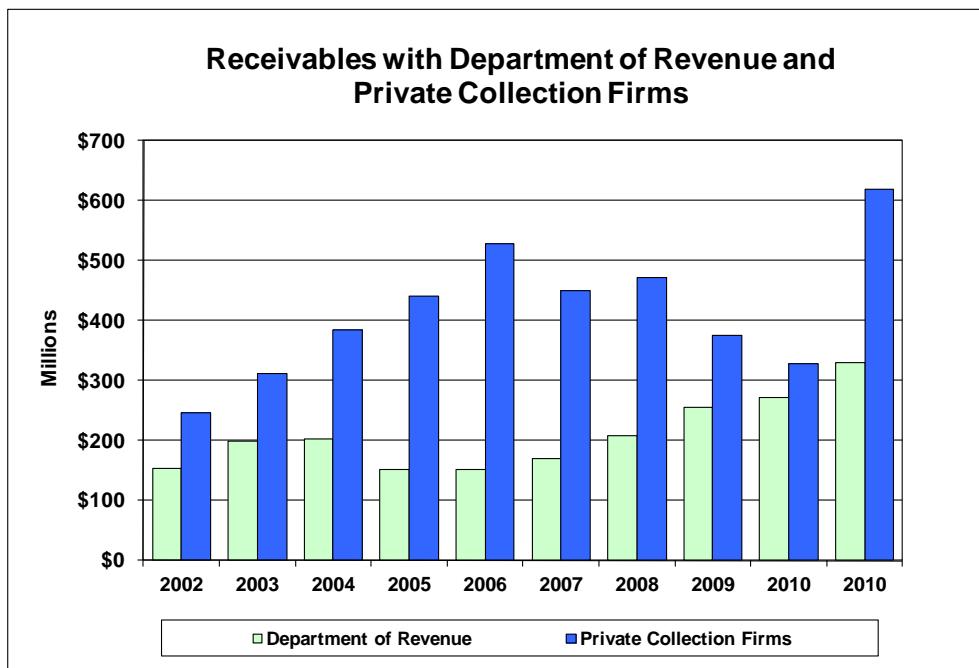


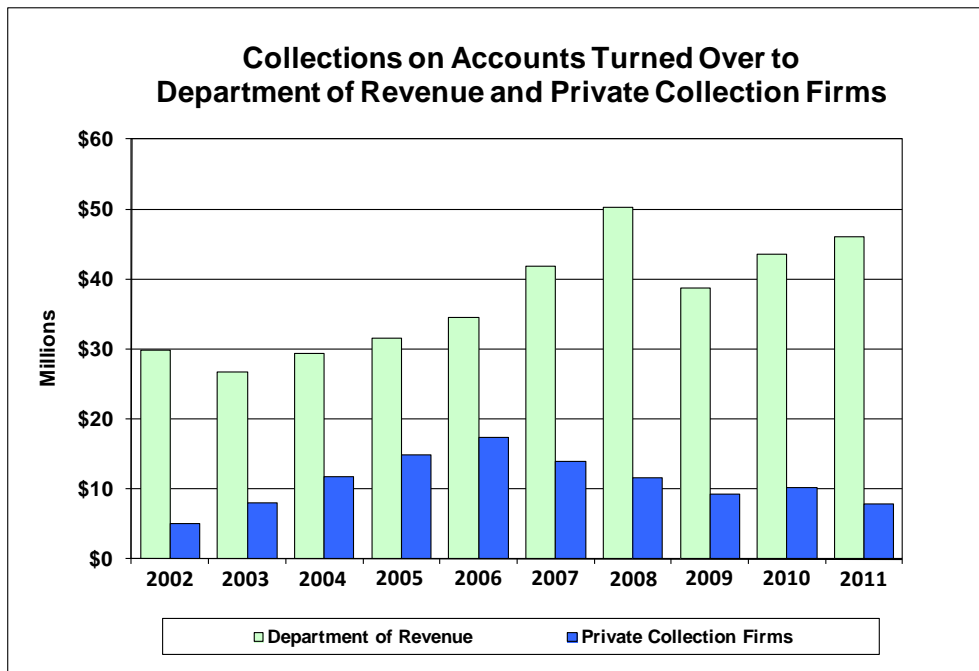
Balances Outstanding by Fund Type (in millions)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund (GF)	\$365.2	\$414.3	\$440.7	\$474.4	\$467.4	\$446.8	\$486.8	\$550.5	\$575.7	\$645.0
All Other Fund Types	\$791.6	\$885.9	\$1,056.6	\$1,036.2	\$1,066.8	\$1,128.3	\$1,260.8	\$1,432.8	\$1,574.8	\$1,811.8
Total All Funds	\$1,156.8	\$1,300.2	\$1,497.3	\$1,510.6	\$1,534.2	\$1,575.1	\$1,747.6	\$1,983.3	\$2,150.5	\$2,456.8
% GF of Total	31.6%	31.9%	29.4%	31.4%	30.5%	28.4%	27.9%	27.8%	26.8%	26.3%

Accounts turned over for collection

Prior to passage of the 1999 legislation, state agencies were not required to turn over accounts for collection. HB 3509 changed that situation and agencies that do not collect on liquidated and delinquent accounts within a specified period of time must now turn the accounts over for collection to either the Department of Revenue or private collection firms. The following charts show the balances reported as being with the outside collection entities and the amounts collected by each of them.





As of June 2011, the Department of Revenue reported 266,341 accounts outstanding, while private collection agencies had 670,687 accounts in their possession. The large increase in accounts/balances at private collection agencies is primarily a result of the Judicial Department more than doubling the amount of debt sent out to private collection agencies (from \$122 to \$332 million).

Not all accounts will be collected. Implementation of HB 3509 has, however, brought more consistency and discipline to state collection activities. Updated policies and procedures are incorporated in the *Oregon Accounting Manual*. In addition, the Department of Administrative Services has developed a website to provide updated information on collection of receivables by state agencies. However, due to budget constraints, the Statewide Accounts Receivable Management Program is not currently staffed. If this situation continues long-term, there may be a negative impact on the state's efforts to collect debt without statewide coordination and strategic planning.

Agencies not reporting

Certain agencies are exempt from ORS Chapter 293 and are therefore not required to report. A complete listing of these exempted agencies is included in the full report. In 2011, 6 agencies did not submit reports. Most of these agencies are very small and historically have had little or no information to report; the lack of reporting data for these agencies is not expected to materially affect the statewide numbers compiled in this report. Under current statutory provisions, there is no consequence for failure to report.

**For additional information, contact:
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The full report is available on the Legislative Fiscal Office website at www.leg.state.or.us/comm/lfo