

Legislative Fiscal Office

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Budget Information Brief / 2004-1

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 is required to compile the reports and issue one report to the Legislative Assembly. We issued our fourth report under the statute in December 2003.

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 in the first year. The law also exempted the Judicial Branch from reporting. However, the Judicial Branch voluntarily reported beginning in 2001. Since then, the statute exempting the Judicial Branch was repealed. For comparison purposes, however, certain information can be used for analysis and understanding of the impact of the legislation on the way state agencies manage their liquidated and delinquent accounts.

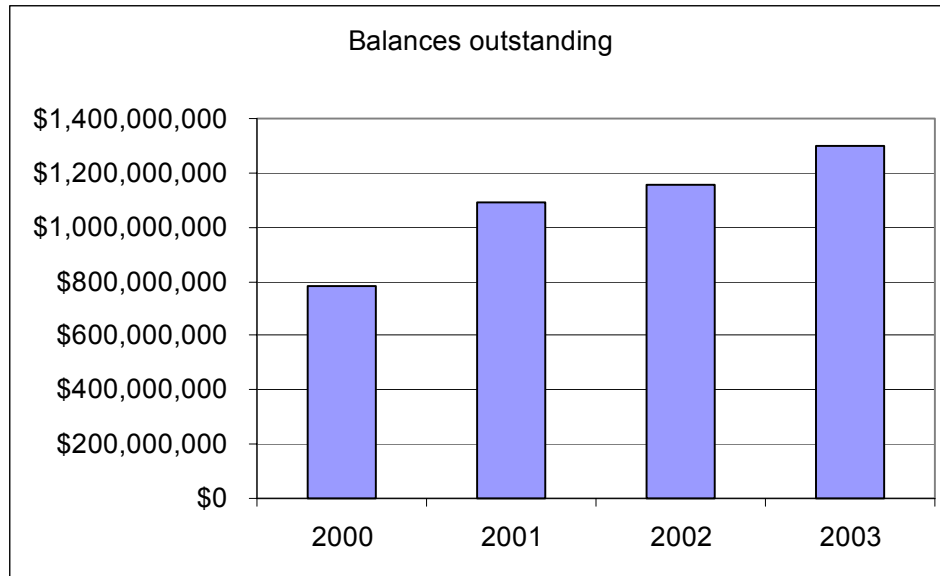
Liquidated and delinquent accounts defined

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.

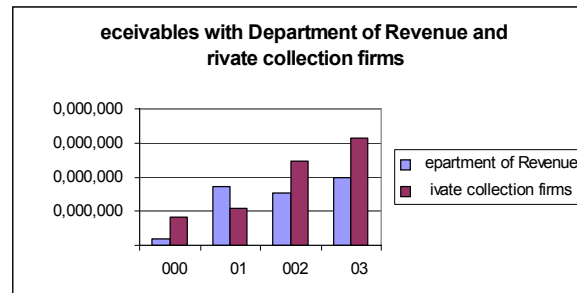
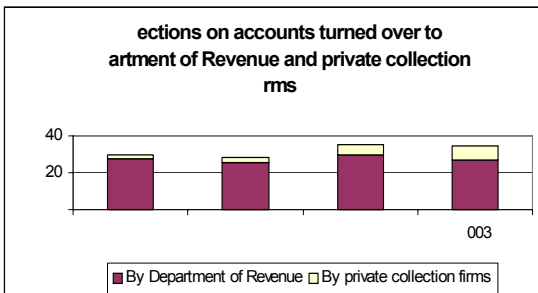
Balances outstanding

Presented on the next page is a chart of the reported liquidated and delinquent account balances outstanding at June 30, each year. Note that the Judicial Department did not report balances in 2000, but began reporting in 2001. In 2001, the Department reported \$310 million of these account balances as outstanding. Of the balances outstanding, the General Fund portion amounted to \$353.1, \$320.6, \$365.2, and \$414.3 million in years 2000, 2001, 2002, and 2003, respectively. Since the 2001 report period, the General Fund portion has been fairly consistent, at around 30% of the total.



Accounts turned over for collection

Prior to passage of HB 3509, state agencies were not required to turn over accounts for collection. Collection practices varied widely between state agencies. HB 3509 changed that, and agencies that do not collect on liquidated and delinquent accounts within a specified period of time must now turn them over for collection to either the Department of Revenue or to private collection firms. The charts below show how this has changed both the amounts collected by private collection firms and balances with firms for collection.



Since the time period agencies are allowed to manage their own delinquent accounts has been shortened, there has been an increase in the number of accounts turned over to both the Department of Revenue and private collection firms.

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. Also, the Department of Administrative Services has developed a website to provide updated information on collection of receivables by state agencies.

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