

Legislative Fiscal Office

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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 issued its sixth report under the statute in December 2005. All six 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

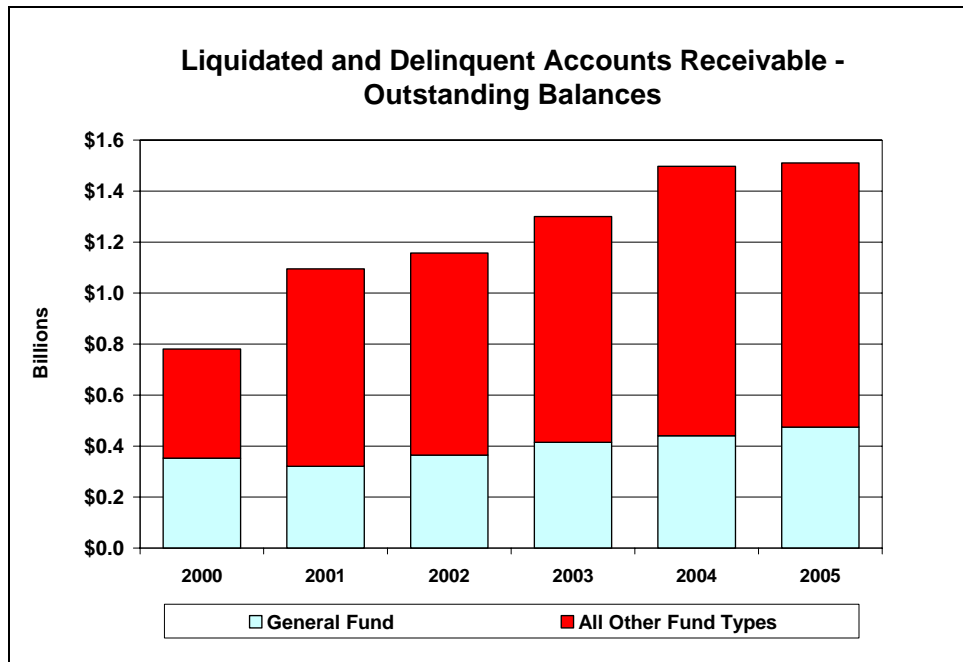
Liquidated account is generally defined as one where the exact past due amount is known, proper notification of the debt has been made to the debtor, and there has been a judgment, or a distraint warrant for taxes, or an administrative proceeding has established the debt, etc.

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. 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 \$474.4 million in 2005, up by \$33.7 million from 2004. This amount represents 31.4% of the total outstanding balances. Of the \$474 million, the Department of Revenue accounted for \$440 million. Since the 2001 report period, the General Fund portion has been fairly consistent at around 30% of the total balance.

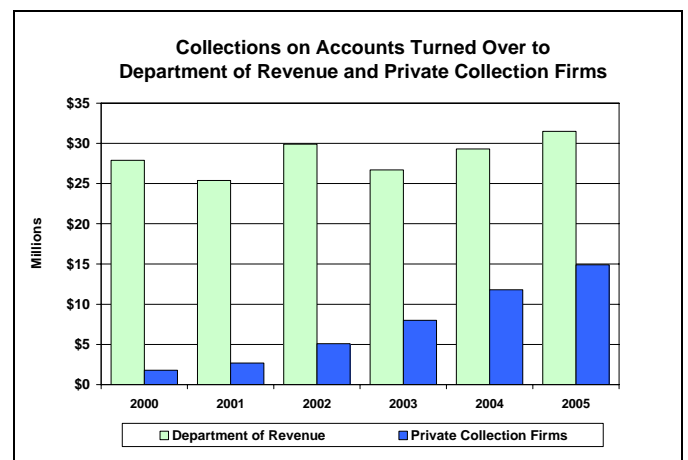
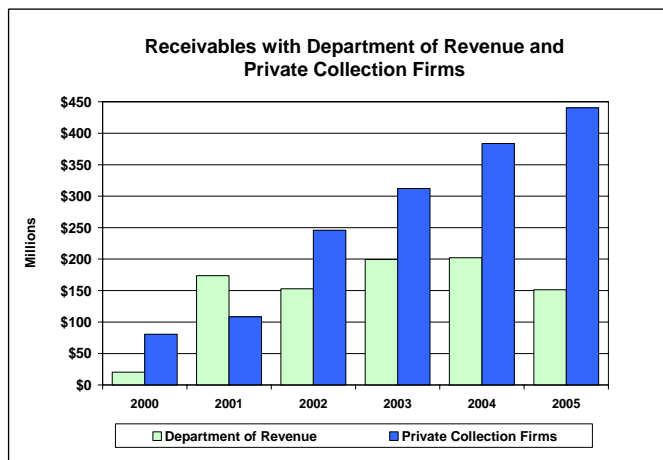


Balances Outstanding by Fund Type (in millions)

	2000	2001	2002	2003	2004	2005
General Fund (GF)	\$353.1	\$320.6	\$365.2	\$414.3	\$440.7	\$474.4
All Other Fund Types	\$427.4	\$773.9	\$791.6	\$885.9	\$1,056.6	\$1,036.2
Total All Funds	\$780.5	\$1,094.5	\$1,156.8	\$1,300.2	\$1,497.3	\$1,510.6
% GF of Total	45.2%	29.3%	31.6%	31.9%	29.4%	31.4%

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 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 charts below show how this has changed both the balances remaining with private collection firms and the amounts collected by the private firms.



Since the time period that 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. As of June 2005, the Department of Revenue had about 215,000 accounts outstanding, while private collection agencies had 519,000 outstanding accounts.

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.

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. For the 2004 report, 19 agencies required to report failed to submit liquidated and delinquent accounts receivables reports. For the 2005 report, 14 agencies failed to report, but five of these agencies had essentially ceased operations. Two of the agencies failing to report in 2005 also failed to report in the previous year. Under current statutory provisions, there is no consequence for failure to report.

**The full report is available through the "Publications" link on the Legislative Fiscal Office website:
<http://www.leg.state.or.us/comm/lfo/>**

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