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Budget Information Brief / 2014-1

Liquidated and Delinquent Accounts

HB 3509 (1999 legislative session) and SB 70 (2001 legislative session) provide statutory guidance to state agencies on the collection of past due accounts. HB 3509 amended Oregon Revised Statutes (ORS) 293 relating to the administration of public funds, requiring state agencies (with certain exceptions) to turn over those liquidated and delinquent accounts, for which no payment had been received within one year, to a private collection firm or the Department of Revenue (DOR) for collection. Subsequently, in the 2003 legislative session, ORS 293 was amended so that the time period before being turned over for collection is now 90 days. SB 70 provides similar guidance for the Judicial Branch. The statute requires annual reporting of liquidated and delinquent accounts to the Legislative Fiscal Office (LFO). LFO is required to compile the information and issue a consolidated report to the Legislative Assembly. LFO produced its fourteenth report under the statute in December 2013. This budget information brief includes revised data for the 2012 reporting year that is not included in the 2012 brief. Subsequent to the publication of the original 2012 report, DOR discovered a significant error in the report that it submitted. Corrected data was provided to LFO by DOR and a revised report was issued. (The budget brief for the corresponding year was not revised.) 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.

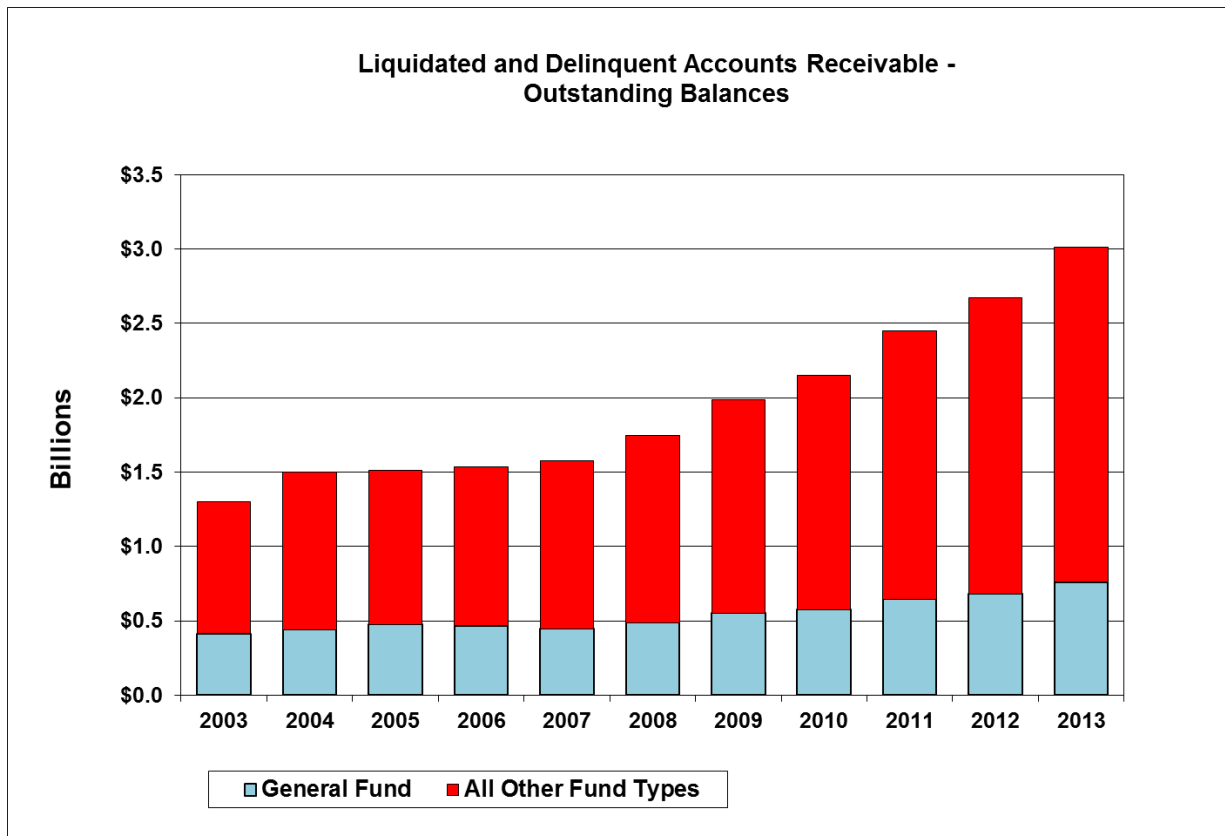
Delinquent account is defined as an account for which payment has not been received by the due date. Most receivables have a specific due date. If any part of that debt is not paid by the due date, the account needs to be reported. Some debts do not have an obvious due date, such as overpayments. The 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 below 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 \$760 million in 2013, an increase of \$79.3 million from 2012. This reflects an 11.7% increase in the balance from the prior fiscal year; the balance has a compound annual growth rate of about 6.3% over the past twelve years. Of the \$760 million, the Department of Revenue's own receivables accounted for \$721.6 million.

Since the 2002 report period, the General Fund portion of the total balance outstanding has followed a decreasing trend, falling from 31.9% in 2003 to 25.3% in 2013. The total liquidated and delinquent debt receivables balance (all funds) has increased by 260% since 2002. The graph and table below display historical balances over the last 11 years.

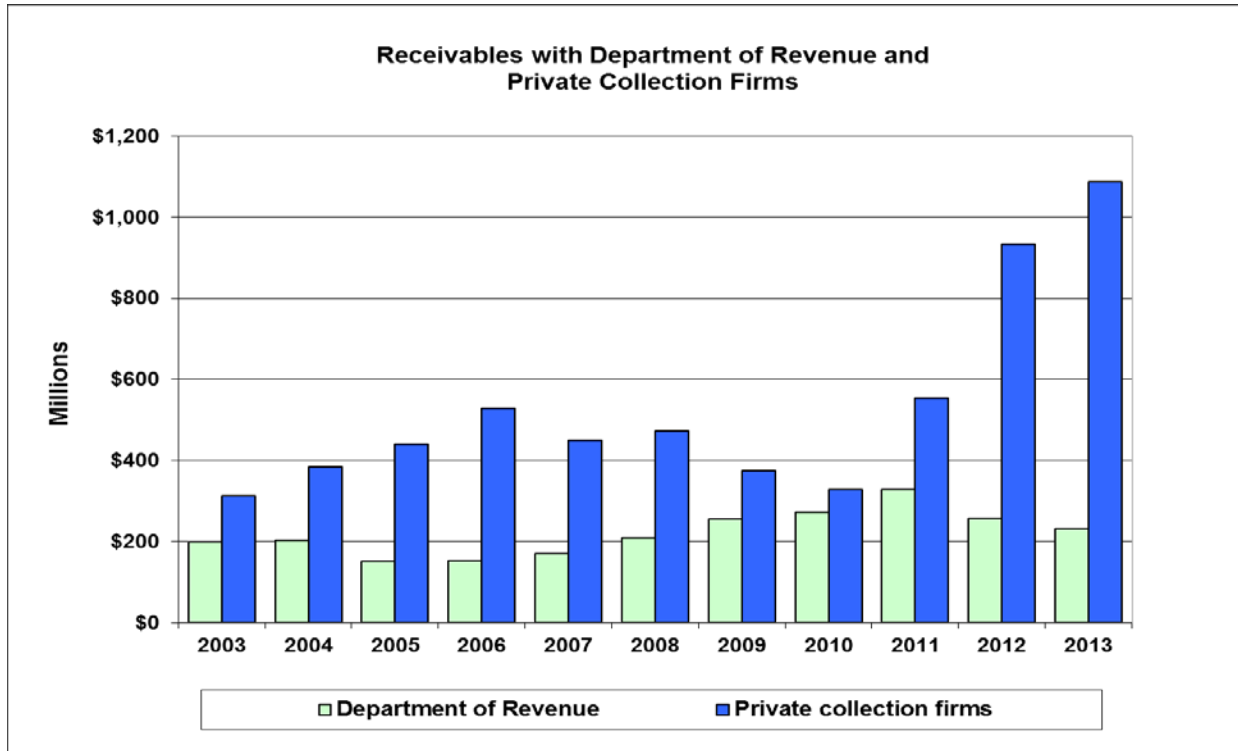


Balances Outstanding by Fund Type (in millions)											
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund (GF)	\$414.3	\$440.7	\$474.4	\$467.4	\$446.8	\$486.8	\$550.5	\$575.7	\$645.0	\$680.6	\$759.9
All Other Fund Types	\$885.9	\$1,056.6	\$1,036.2	\$1,066.8	\$1,128.3	\$1,260.8	\$1,432.8	\$1,574.8	\$1,804.6	\$1,991.7	\$2,250.0
Total All Funds	\$1,300.2	\$1,497.3	\$1,510.6	\$1,534.2	\$1,575.1	\$1,747.6	\$1,983.3	\$2,150.5	\$2,449.6	\$2,672.3	\$3,009.9
% GF of Total	31.9%	29.4%	31.4%	30.5%	28.4%	27.9%	27.8%	26.8%	26.3%	25.5%	25.3%

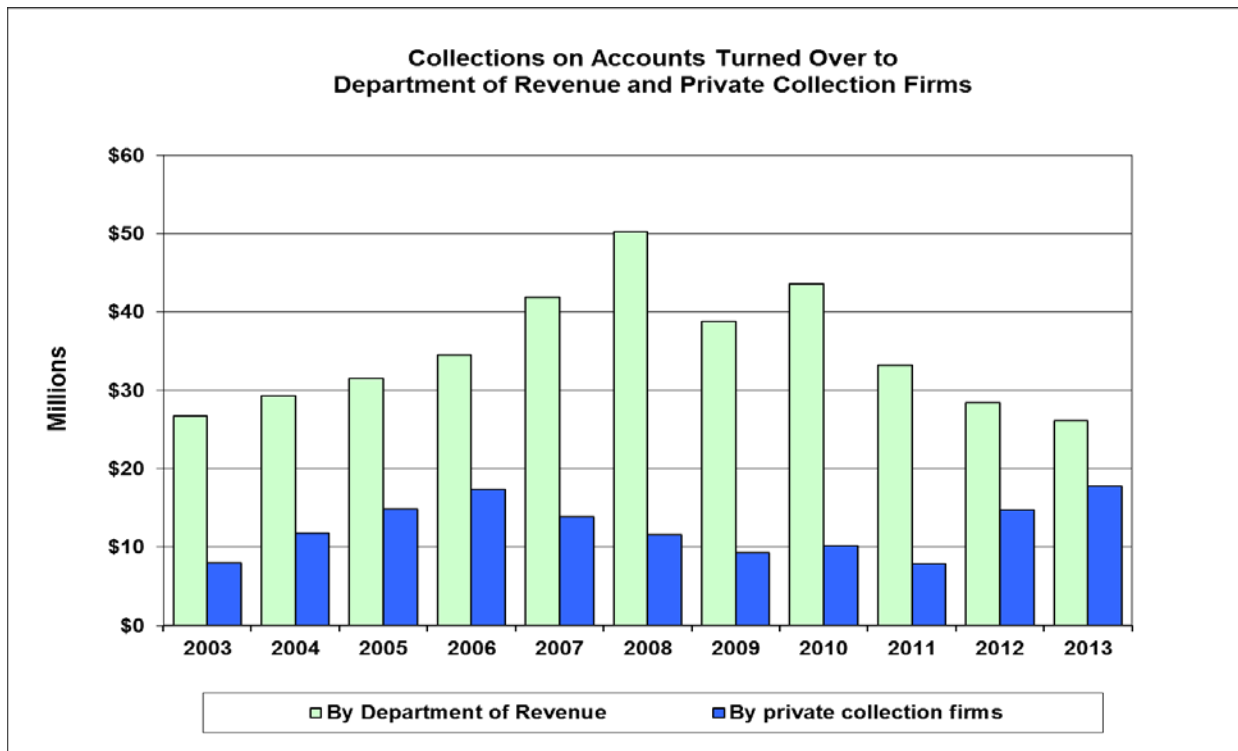
Accounts Turned Over For Collection

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

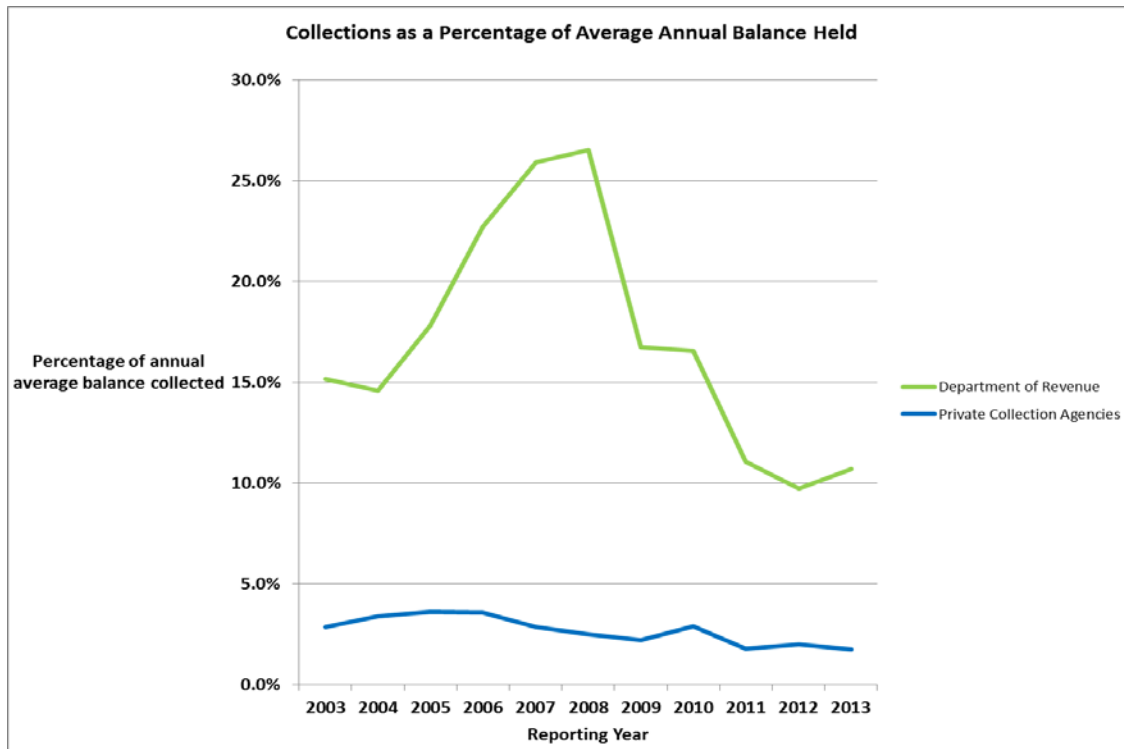
either the Department of Revenue or private collection firms. The following charts show the balances reported as being with the outside collection entities and the amounts collected by each of them.



As of June 2013, the Department of Revenue reported 176,877 accounts outstanding, while private collection agencies had 977,395 accounts in their possession.



The following table illustrates the historical collection rate of accounts referred for collection to the Department of Revenue and private collection companies. The collection rate is calculated by dividing the total amount collected as reported by agencies by the average of the beginning and ending balance amount for a given reporting year.



Not all accounts can be transferred to the Department of Revenue or to private collection agencies. There may be federal or state statutory or regulatory prohibitions that would cause them to be exempt from transfer. Specific exemptions are codified in ORS 293.231(9)(a) through (i). If other state or federal laws exempt agencies from turning over accounts for collections, ORS 293.231(5) applies.

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This brief is available on the Legislative Fiscal Office website at www.oregonlegislature.gov/lfo