

HOUSE COMMITTEE ON BUSINESS AND CONSUMER AFFAIRS

March 15, 1999 Hearing Room E

8:30 a.m. Tapes 58 - 59

MEMBERS PRESENT: Rep. Roger Beyer, Chair

Rep. Tim Knopp, Vice Chair

Rep. Dan Gardner, Vice Chair

Rep. Jackie Winters

Rep. Terry Thompson

Rep. Jason Atkinson

Rep. Bill Morrisette

STAFF PRESENT: Keith Putman, Administrator

Frances Thomas, Administrative Support

MEASURE/ISSUES HEARD: HB 3509 Public Hearing

HB 2742 Public Hearing

These minutes are in compliance with Senate and House Rules. Only text enclosed in quotation marks reports a speaker's exact words. For complete contents, please refer to the tapes.

TAPE/#	Speaker	Comments
TAPE 58, A		
004	Chair Beyer	Calls the meeting to order at 8:35 a.m. Opens the Public Hearing on HB 3509.
<u>HB 3509 PUBLIC HEARING</u>		
013	Keith Putman	Committee Administrator. Explains HB 3509.

028	Rep. Winters	District 31. Discusses the current status of debt collection and the goal of creating a systematic approach to track and collect debts owed to state agencies.
049	Matt Markee	<p>Oregon Collectors Association. Testifies in favor of HB 3509. Describes a survey of state agencies concerning state receivables and the results of the survey. Presents facts concerning state receivables:</p> <ul style="list-style-type: none"> • As of June 30, 1997 total receivables owed to state agencies in Oregon amounted to over \$1.8 billion • Total receivables grew by approximately 190 million dollars between fiscal year 1996 and 1997 • Of those agencies that were able to provide information about the age of accounts, 70% of the \$1.8 billion was over 90 days old (EXHIBIT A)
100	Markee	Reviews the techniques of debt collection used by state agencies and the inconsistent reporting of collection costs. Notes it is very difficult to reach any specific conclusions regarding any particular program due to the dearth of data kept by state agencies.
154	Markee	<p>Explains the specific recommendations of the bill amendments:</p> <ul style="list-style-type: none"> • Submit delinquent accounts to private collection agencies or the Department of Revenue after a certain time period • Create a vendor/debtor offset program so that one state agency is not paying a vendor when that same person is a debtor to another state agency • Conduct an interim study of the state's receivables collections process
203	Markee	Discusses EXHIBIT B , an overview of state debt programs.
210	Rep. Thompson	Asks for information concerning higher education debt.
225	Roy Newman	Former owner, collection agency. Opines that people will pay faster than have in the past.
235	Markee	Comments that higher education currently uses private collection agencies. Stresses the wisdom of focusing on the accounts receivable.
250	Rep. Knopp	States that 30% of the \$1.8 million is child support. Asks if federal roadblocks will impede private agencies' attempts to collect this money.
260	Markee	Replies that child support statutorily can not be turned over to a private collection agency, but a substantial amount still remains.
268	Rep. Knopp	Asks about collections for the judicial department.
273	Markee	Explains how courts are currently addressing their accounts receivable. Notes that a collection agency does not get paid if they do not collect on anything.

292	Rep. Thompson	Expresses concern about the status of small accounts. Asks about collection agencies' ability to find these people.
300	Newman	Answers that collection agencies have the advantage of information on various clients.
320	Rep. Thompson	Inquires about public protection and the procedures to protect the public from harassment.
328	Newman	Discusses the Fair Debt Collection Protection Act and the effect of this law in Oregon.
348	Chair Beyer	Asks about the proposed date of Feb 1, 2001.
354	Markee	States that Legislative Counsel chose this date.
363	Chair Beyer	Expresses preference for a November 1, 2000 date so that the report can be acted on by the legislature.
370	Markee	Agrees with Chair Beyer.
379	John Radford	Administrator, Department of Administrative Services, State Controller's Division. Testifies in a neutral position on HB 3509. Describes the function of the State Controller's Division and the options of agencies to collect debts. Notes that debt must be liquidated before it can be assigned for collection. Adds that agencies should follow the criteria of the Oregon Accounting Manual (EXHIBIT C) .
455	Radford	Describes the recommendation of the Oregon Audit Division's report on agency debt collection practices for the creation of a Debt Collection Committee (DCC). Discusses the formation and activities of the DCC: <ul style="list-style-type: none"> • Explore a Statewide Vendor Offset Program
TAPE 59, A		
006	Radford	<ul style="list-style-type: none"> • Contract with collection agencies for in and out of state debts • Investigate the expansion of statutory authority for actions or access to information that assists in debt collection activities
020	Rep. Winters	Asks what percentage of state debt was depreciated in 1997 and 1998.
022	Radford	Replies that he does not have that information on hand.

025	Rep. Winters	Asks if the DCC has formulated a standardized reporting procedure for all agencies.
028	Radford	Answers no. Adds that information is summarized when submitted to State Controller's Division.
037	Rep. Winters	Asks if there is any standard used to determine when an agency should write off a collectable.
042	Radford	Replies that the standard is defined in the Oregon Accounting Manual, which are tied to Oregon law. Defines a liquidated debt.
050	Rep. Winters	Asks if there is a definitive time after which a debt is turned over or written off.
056	Radford	Replies that there are no explicit rules.
067	Rep. Winters	Asks if the receivables are determined as assets or liabilities for budget purposes.
070	Radford	Replies that the revenue estimation process includes an estimate of revenues to be collected.
075	Rep. Gardner	Asks how much agency debt falls within the category of federal debt.
078	Radford	Replies that he does not have the information on hand.
080	Putman	Comments that in many programs, federal funds are a known percentage. Points to the example of public assistance.
090	Chair Beyer	Notes that some information may be referred to in EXHIBIT B .
100	Sharon Walker	Deputy Director, Secretary of State Audits Division. Testifies in a neutral position on HB 3509. Discusses HB 3509, the effects on the Secretary of State and specific questions raised by the bill. States that clarification or provision of discretion to the state would be helpful. Notes that a separate agency program may be necessary to retain the Secretary of State's audit independence. Reports that clarification of confidentiality issues would be helpful (EXHIBIT D).
154	Walker	Reiterates the findings and recommendations of the Audit Division to improve agency debt collection. Notes that the fiscal impact is unknown.
177	Sen. Neil Bryant	District 27. Discusses a survey conducted by the Senate Interim Budget Committee, which asked agencies to provide: <ul style="list-style-type: none"> • Amount of total receivables for last 5 years

		<ul style="list-style-type: none"> • Amount these receivables have increased by fiscal year over the past several years • Number of delinquent accounts • Dollar amount collected by fiscal year • Summaries of the programs being used for collection • Agency's costs of collections • Age of accounts receivables • Description of collection program • The source of receivables <p>Describes the results of the survey, noting the difficulties agencies had in identifying receivable amounts and the difficulty in reaching definitive conclusions (EXHIBIT E).</p>
229	Sen. Bryant	States that some agencies are actively involved in debt collection and some state agencies are not. Indicates that many state agencies use private collection agencies. Relates that collecting valid debts provides a better option than increasing taxes.
255	Rep. Thompson	Asks about the standard percentage private collection agencies receive.
260	Sen. Bryant	Answers that it would be 15%
266	Rep. Thompson	Asks if the fee is associated with the total amount or is based on a sliding scale.
271	Sen. Bryant	Replies that the agency could establish a sliding scale.
277	Rep. Thompson	Asks if debts are turned over to an association of collection agencies or an individual agency.
281	Sen. Bryant	Replies that private collection agencies would compete to get the work.
298	Randall Jordan	Assistant Attorney General, Department of Justice. Testifies in a neutral position on HB 3509. Expresses concerns with the bill and the proposed 11 amendments, including the identification of debts subject to the 180 day rule and the importance of limiting the language to delinquent debt as opposed to secured installment debt
360	Jordan	Discusses programs that need to be exempted from the bill's language. Suggests the inclusion of some agency discretion in determining which debts should be submitted for full collection. Reiterates the need to specify delinquent debts. Describes the remedies available to agencies for the collection of debts.
418	Jordan	Expresses concern about the bill's effect on the Department of Justice and the types of debts they handle, including out-of-state debts. Recommends that the language include "liquidated amount" as well as "delinquent debt." Comments on the debt collection procedures of the Department of Revenue.

470	Rep. Morrisette	Asks for further breakdown of Department of Economic Development's situation.
TAPE 58, B		
005	Jordan	Notes that the Department of Economic Development does refer cases to the Department of Justice. Refers to the language "prohibited," adding that different language may be necessary. Discusses the role of the Oregon State Scholarship Commission, which is highly regulated and may have difficulty complying with the 180-day provision.
046	Jordan	Expresses concern about "restitution debts." States that additional funding or a change in statutes may be required.
075	Lisa Zavala	Associate Director Government Relations, Oregon University System (OUS). Testifies in opposition to HB 3509, expressing concerns about how the bill may affect students (EXHIBIT F).
092	Michael Green	Controller, Oregon University System (OUS). Testifies in opposition to HB 3509. Describes methods and solicitation process of student debt collection. Outlines the specific provisions that OUS opposes (EXHIBIT G).
143	Zavala	Submits information on federal regulations.
150	Green	Indicates that the reference to "total delinquent debt" in the survey is a misrepresentation. Notes that some educational institutions did not respond to the aging question because they use different time categories.
164	Zavala	Emphasizes that the 180-day provision may complicate the relationship to the federal rules.
177	Rep. Atkinson	Observes that the university system of debt collection is different.
199	Chair Beyer	Closes the Public Hearing on HB 3509. Urges the opponents of the bill to meet with the proponents, underlining his interest in moving the bill. Opens a Public Hearing on HB 2742.
<u>HB 2742 PUBLIC HEARING</u>		
220	Putman	Explains HB 2742.
230	Dave Barrows	Oregon League of Financial Institutions. Testifies in favor of HB 2742. Comments on the changes in language and amounts. Supports the abandon property amendment.

251	Rep. Gardner	Asks if the bill includes credit unions.
255	Barrows	Responds yes.
257	Marcella Easley	Division of State Lands, Salem. Testifies in favor of HB 2742. Explains the purpose of current law concerning the assets of deceased persons. Discusses HB 2742 and a proposed amendment relating to savings associations (EXHIBIT H).
309	Chair Beyer	Closes the Public Hearing on HB 2742. Adjourns the meeting at 9:55 a.m.

Submitted By, Reviewed By,

Frances Thomas, Keith Putman,

Administrative Support Administrator

Transcribed By,

BRAD DANIELS

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EXHIBIT SUMMARY

A ñ HB 3509, written testimony, Matt Markee, 1 p.

B ñ HB 3509, inventory report, Matt Markee, 99 pp.

C ñ HB 3509, written testimony, John Radford, 2 pp.

D ñ HB 3509, written testimony, Sharron Walker, 2 pp.

E ñ HB 3509, written testimony, Sen. Neil Bryant, 3 pp.

F ñ HB 3509, written testimony, Lisa Zavala, 2 pp.

G ñ HB 3509, written testimony, Michael Green, 37 pp.

H ñ HB 2742, prepared statement, Marcella Easley, 1 p.

I ñ HB 3509, debit collection audit, Secretary of State, 42 pp