

**2007 Regular Legislative Session**  
**FISCAL ANALYSIS OF PROPOSED LEGISLATION**  
**Prepared by the Oregon Legislative Fiscal Office**

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**MEASURE NUMBER:** HB 2320                      **STATUS:** A Engrossed  
**SUBJECT:** Allows Oregon Judicial Department to enter into intergovernmental agreements Federal Government and requires Oregon State Lottery Commission to hold lottery prizes.  
**GOVERNMENT UNIT AFFECTED:** Oregon Judicial Department, Oregon State Lottery Commission, Department of Justice  
**PREPARED BY:** Tim Walker  
**REVIEWED BY:** Robin LaMonte, Doug Wilson  
**DATE:** March 15, 2007

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	<u>2007-2009</u>	<u>2009-2011</u>
<b>EXPENDITURES:</b> See Comments		
<b>REVENUES:</b> See Comments		
<b>POSITIONS / FTE:</b> See Comments		

**EFFECTIVE DATE:** January 1, 2008

**GOVERNOR'S BUDGET:** This bill is not anticipated by the Governor's recommended budget.

**LOCAL GOVERNMENT MANDATE:** This bill does not affect local governments' service levels or shared revenues sufficient to trigger Section 15, Article XI of the Oregon Constitution.

**COMMENTS:** This bill will allow Oregon Judicial Department (OJD) to enter into intergovernmental agreements with United States Financial Management Service and Internal Revenue Service for the purpose of offsetting federal tax refunds to collect liquidated and delinquent accounts owed to the judicial branch. The bill would also require the Oregon State Lottery Commission to hold lottery prizes in excess of \$600 and notify the State Court Administrator if the prize winner is listed in a database of liquidated and delinquent accounts.

The Department of Revenue (DOR) currently offsets state tax refunds on accounts that OJD has identified as being delinquent or liquidated accounts. OJD collects approximately \$8.3 million dollars a year through this program. OJD needs specific statutory authority to enter into this type of relationship with the federal government. There has been legislation introduced at the federal level to allow state courts to intercept federal tax refunds. For OJD to offset federal tax refunds, legislative changes are necessary at the state and federal level.

Currently, the Division of Child Support with OJD has the ability to offset federal tax refunds to satisfy delinquent child support accounts. The Division has been able to collect 7 times as much in federal refunds as they do in state refunds. From this experience, OJD has estimated that they may be able to collect up \$58.0 million per biennium by intercepting federal tax refunds. This is dependent upon gaining both federal and statutory authority and first biennium's results will be dependent upon the

timing of gaining this authority. OJD has also estimated that 413,000 cases will be eligible for the federal offset. According to the most recent statistics available (2005) from the Internal Revenue Service, this represents 33% of all federal tax returns filed in Oregon that had refunds. The dollar volume represents 1.3% of the value of federal tax refund returns filed in Oregon for the 2005 tax year.

This bill also allows OJD to intercept Lottery winnings in excess of \$600 if the prize winner is on a database of delinquent or liquidated accounts. OJD estimates that they will be able to generate, on average, \$15,600 a month or \$374,400 a biennium. According to constitutional provisions governing Lottery operations, administrative funds can only be expended for the administration of the Lottery. OJD would have to pay the costs associated with staffing, software, and hardware to intercept these funds. Lottery estimates these costs will be \$39,500 the first year and \$11,300 each year after.

Due to the lack of functionality in OJD's legacy computer system, they are unable to interface with the federal system to automate the monitoring and updating of case balances. OJD will need to hire additional staff to manually submit and update case balances until the case and financial management system is updated over the next 3-5 years. OJD proposes hiring 6 limited duration positions (5.52 FTE) until the transition to a more functional and automated system occurs. These positions would be financed from the OJD Collections Account. OJD estimates that the costs associated with manually updating account balances and the Lottery will be \$633,200 in 2005-07 and \$797,600 in 2009-11.