FISCAL IMPACT OF PROPOSED LEGISLATION **Measure: HB 2550 - A**

Seventy-Sixth Oregon Legislative Assembly – 2011 Regular Session
Legislative Fiscal Office

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Measure Description:
Authorizes Director of Department of Revenue to enter into federal and state intergovernmental agreements governing reciprocal offsets of certain payments against debts.

Government Unit(s) Affected:
Department of Revenue(DOR)

Summary of Fiscal Impact:
Please see analysis

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.

Analysis:
The measure amends existing statute which allows for reciprocal offset agreements between the State of Oregon and the federal government for liquidated tax obligations, eliminating the language that limits the scope of these agreements to tax obligations and instead allowing the Department of Revenue to enter into reciprocal offset agreements with the federal government for tax obligations or any other debt owed to the state or the federal government from overpayments, vendor payments, or refunds owed by a state or the federal government.

Functionally this means that a debtor of the federal government who may otherwise entitled to a payment from the State of Oregon from a tax overpayment, as a vendor, recipient of benefits, or any other payment, may have that payment seized by the Oregon Department of Revenue for the satisfaction of the debts owed to the federal government. Likewise the State of Oregon would be entitled to receive payment from the federal government for debts owed to the state from payments that would have otherwise been made to individuals by the federal government.

The bill does not specifically define what debts and what payments are subject to the agreement contemplated in the bill. The other payments may include tax returns, vendor payments, wages, pensions, unemployment benefits, Medicare, Medicaid, TANF, SNAP, etc. Without this information, there is no way to calculate the direct administrative cost to the agencies that may be involved in processing the reciprocal offsets or the possible subsequent costs to those agencies in dealing with disputes or other issues arising from the seizure of payments.

The measure continues the authority for the DOR to establish a fee by rule to be charged to the federal government for the provision of state offset, but the federal government is not legally bound nor have they to-date paid a state assessed fee. The measure allows for the DOR pay the federal government a fee for the processing of a state offset request, that fee may be added to the amount owed by the debtor to the state and deducted from the funds that are remitted to the state by the federal government.

Aside from the unknown costs to other state agencies, the Department of Revenue has estimated that the start-up and ongoing administrative functions required to implement the measure assuming about

80,000 individual notices in the 2011-13 biennium would total $210,136 in Other Funds. These activities would involve seven positions with a cumulative impact of 1.14 FTE for:

- System programming and testing
- Working suspended debt records
- Data review and analysis
- Service agreements
- Customer service
- Disputes

Ongoing activities would involve five positions with a cumulative impact of 0.60 FTE during the 2013-15 biennium for the activities listed above with the exception of system programming and testing for a biennial cost of $128,238 Other Funds.