

FISCAL IMPACT OF PROPOSED LEGISLATION

Measure: HB 2550 - A

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

REVISED

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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. The new language allows the Department of Revenue (DOR) to enter into an agreement to recover non-tax debts owed the state or federal government. Certain governmental payments going to debtors, such as vendor payments, would be withheld and used to pay the debt instead.

While the bill does not specifically identify which payments are subject to withholding under the agreement, federal and state laws contain existing provisions excluding certain types of payments from offset. These include Social Security, means-tested benefit payments (such as Supplemental Security Income), veterans' benefits, public assistance, unemployment benefits, disability benefits, and workers' compensation. The agreement itself would also address inclusions/exclusions and other items and/or conditions specific to Oregon's agreement with the federal government.

Once an agreement is completed, DOR will have some one-time costs associated with system upgrades and modifications. These would be needed to ensure accurate electronic transactions, efficient data exchange, and generation of offset notices that would be sent to the affected parties. In addition, the agency expects to see an increase in customer service calls, legal assistance, and debtor appeals; costs associate with these activities would be on-going.

DOR would implement the agreement in phases, starting with the Other Agency Accounts (OAA) unit which collects debt for other government agencies. The agency projects needing about \$200,000 Other Funds to get the program up and running in the first biennium, with lower costs in the future budget periods. Like the existing OAA program, DOR expects to recover costs through collection fees.

In addition, DOR will look to its anticipated Core Systems Replacement project to leverage the system changes needed to implement the agreement. No expenditure limitation is required at this time, as that project is still in the planning stages.