

**Representative Bentz –**

**How does DOR determine the 10% rate it charges OED for DORs collection costs?**

The department of Revenue is given authority to establish the percentage we charge the agencies in ORS 293.250. The rate must be reflective of our actual costs to collect the debt assigned to us. We estimate the percentage based on our historic costs for the program compared against the projected collections. If our estimate is greater than our actual costs, we “rebate” the excess back to our client agencies. Additionally, DOR remits net to our client agencies. Additionally, OAA’s rates are consistent with the rates that private collection firms charge (under DAS contract those rates are normally 10% to 23% but can be much higher if significant legal activity is involved).

Example: Suzie Debtor owes the Employment Department (OED) \$100 for overpaid benefits. Suzie has a \$200 personal income tax refund owed to her which the Department of Revenue offsets against the debt she owes to OED. Revenue credits Suzie’s account with a \$100 payment which brings the account to zero, but only remits \$90 to OED. OED has a corresponding adjustment on their books for the \$10 fee DOR charged.

**Costs are reflective of operating the offset program:**

- OAA administrative costs (Call distributor, FTE, OPE, etc)
- IT costs – DOR IT, DAS data center, paper, distribution
- Processing – postage, incoming mail
- Receipt of liability – paper, email, electronic file
- Edit liability for accuracy – review, research (Suspense)
- Account maintenance – balance adjustments
- Customer inquiries (debtor and/or client agency)
- Notices (2) (full collections customers)
- Two months reserve of operating expenses (OMB Circular A-87, Attachment C federal guidelines)

**Current collection fee rate analysis:**

$$\frac{\text{Direct \& indirect costs of collection}}{\text{Projected collections}} = \text{Rate DOR charges for services}$$

**Current Rate Schedule by SERVICE OFFERED and AGENCY**

**Full Collections (offset, garnishment, payment plan monitoring, etc.)**

Court debt .....18% (discounted if payment is due to offset to 13%)  
 Non-Court debt .....16% (discounted if payment is due to offset to 12%)

**Offset only (no garnishments, just customer service and refund offset)**

Court debt .....13%  
 Non-court debt.....10%

**Child support -- \$12 per offset**