



Oregon

Kate Brown, Governor

Department of Consumer and Business Services

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February 23, 2017

The Honorable Senator Betsy Johnson, Co-Chair
The Honorable Representative David Gomberg, Co-Chair
Joint Committee on Ways and Means
Subcommittee on Transportation and Economic Development
900 Court Street NE
H-178 State Capitol
Salem OR 97301-4048

Dear Co-Chairs and Members:

During the Agency Overview for the Department of Consumer and Business Services (DCBS) budget hearing on Feb. 21, 2017, several questions were raised regarding delinquent debt. They were:

- What is the aging of DCBS's debt portfolio?
- What collection agencies do we use?
- What interest rates are we applying to uncollected debt?

DCBS's delinquent debt is a result of fines, penalties, claims costs, unpaid taxes (cents per hour tax), and other enforcement action that result in administrative action (e.g., Division of Financial Regulation fraud cases). DCBS charges the statutory interest rate of 9 percent (Oregon Revised Statute 82.010).

Our current debt portfolio is as follows:

Division	1-365 Days	1-2 Years	2-3 Years	3-4 Years	4-5 Years	5 + Years	Total
Building Codes	314,792	57,483	13,825	101	11,329	31,667	429,197
Financial Regulation*	16,310,582	997	28,077	14,000	1,129,772	1,283,987	18,767,415
Oregon OSHA	153,447	81,966	6,444	1,577	1,425	77,666	322,525
Workers' Benefit Fund	233,402	27,876	26,080	7,559	48,325	66,226	409,468
Workers' Compensation	1,924,004	2,356,458	1,395,009	1,826,780	1,918,116	21,437,932	30,858,299
Total	18,936,227	2,524,780	1,469,435	1,850,017	3,108,967	22,897,478	50,786,904

*The amount listed in 1-365 Days column for DFR is uncharacteristically high for a one-year period. This amount represents the result of a process audit conducted as part of the consolidation of the Insurance Division and Division of Finance and Corporate Securities. Although only recently eligible for collection activity, these accounts may span a variety of years.

Our current process is to review our debt as it ages to 365 days. Once it reaches this threshold, it is evaluated to determine its eligibility for assignment to the Department of Revenue (DOR), Other Agency Accounts. Examples of situations that would preclude an account from assignment to DOR includes:

- The debtor is in bankruptcy
- The debtor is appealing the debt
- The Department of Justice is actively engaged in the collection of the debt
- There is an active payment plan or garnishment

For example, of the debt more than five years old, approximately \$12 million is in garnishment and \$2 million is on a payment plan.

Once DOR, Other Agency Accounts returns uncollected delinquent debt to DCBS, we assign this debt to a private collection firm. DCBS's private collection firm is Professional Credit Services from Eugene. Once an account is returned from the private collection firm as uncollectable, the account is reviewed to determine if it is prudent under the Oregon Accounting Manual standards to write off the debt or reassign it to DOR, Other Agency Accounts.

Sincerely,



Patrick M. Allen
Director