



SB 254: Expanding Oregon's delinquent and liquidated debt collection tools

SB 254 Debt Collection Background and Tools:

Liquidated and delinquent debt owed to the state has nearly doubled since 2008 to \$3.3 billion, over \$600 million of this is within the Department of Revenue. During the 2015 Regular Session, the legislature passed Senate Bill 55, which took steps to improve collection efforts, including centralizing debt collection oversight within DAS. In conjunction, the Secretary of State's office released the State Debt Collection Audit which included a series of recommendations, among them using data matching processes and New Hire Report data to issue garnishments more efficiently.

Background Financial Institution Data Matching (FIDM) and Bank Levies:

Currently, if the Department of Revenue issues a garnishment on a debtor's bank account, they must guess at which institution a debtor may be banking. Each garnishment that is issued has a "search fee" payable to the financial institution and added to the debtor's balance. This method is inefficient and not cost-effective as there are fees associated with each one of these requests. As well, financial institutions have to search their records for possible accounts of people that might not bank with them in an ad hoc, unscheduled manner.

According to the S.O.S. Audit, other states use financial institution data matching (FIDM) programs to locate debtors' accounts to issue garnishments efficiently. This allows the department to issue a garnishment once they have confirmed a debtor is banking at a given financial institution, making FIDM an effective and successful tool for the state, the debtor, and financial institutions.

The Division of Child Support (DCS) in DOJ currently uses FIDM to issue levies and collect unpaid child support. SB 254 follows the Audit recommendation that Oregon create a statute to allow for DOR to use FIDM similarly to DOJ.

SB 254 FIDM Program:

- Requires financial institutions to participate in a data match system established by the Department of Revenue to identify accounts held by delinquent debtors;
 - Matches will take place on a quarterly basis
 - Individual financial institutions will be reimbursed by DOR for start-up costs up to \$2500 and for quarterly costs up to \$150
 - Exemptions exist if this program would not be cost-effective to administer or a financial institution is experiencing financial hardship
 - Directs a Rulemaking Advisory Committee to convene to determine the appropriate procedures for the multitude of financial institutions that exist in Oregon and requires a representative from the banks and from the credit unions to be a part of the Rule Making Process.
- Penalizes misuse and disclosure of data match information for financial institutions, their employees, and state agency employees to ensure accountability in keeping debtor information private;
- Sections 1-6 (the Data Match Program) of the bill have an operative date of July 1, 2018 to allow time for the Rule Making Committee to meet and make any necessary recommendations for 2017.

New Hire Report:

Under Federal Child Support Law, employers are required to submit lists of new and re-hired employees to state child support collectors. Currently, DOR is not explicitly allowed access to the information in the report. SB 254 follows the Audit recommendation to grant DOR access to the state data, which will assist with wage garnishment and locate wage-earners who are not paying taxes earlier than we can currently with our existing payroll reports.

SB 254 New Hire Report Sharing:

- Authorizes the Division of Child Support at to share information on new and re-hired employees with DOR for the purpose of wage garnishment;
- Allows DOJ and DOR to create the manner within which DOJ will access that information.

Fiscal Impact estimations (based on 2016 analysis):

2017-2019 Biennium: \$264,174
2019-2021 Biennium: \$272,099
2021-2023 Biennium: \$280,262

Revenue Impact:

2017-2019 Biennium: **\$2.0 million**
2019-2021 Biennium: **\$8.3 million**
2021-2023 Biennium: **\$10.2 million**