



Oregon

Kate Brown, Governor

Department of Consumer and Business Services

Director's Office

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February 4, 2019

The Honorable Senator James Manning Jr., 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. 4, 2019, several questions were raised regarding delinquent debt. They were:

1. What type of debt are we writing-off?
2. Are we using the new process/criteria in writing-off debt?

DCBS wrote-off \$6.4 million during the 2018 reporting period. Of that debt:

- \$6.3 million was from Workers' Compensation Division (WCD)
- \$73,000 was from Building Codes Division (BCD)
- \$4,000 was from the Workers Benefit Fund Assessment (WBFA)

Of the \$6.3 million from WCD:

- 67 percent were remaining balances written off after the accounts were settled. Of this amount, less than 2 percent is related to claims costs. The majority is related to interest and penalties.
- 27 percent is related to bankruptcy.
- 6 percent is from deceased debtors with no available monetary recourse for collection.

Of the \$73,000 from BCD:

- 99 percent is from deceased debtors with no available monetary recourse for collection.
- 1 percent were remaining balances written off after the accounts were settled.

Of the \$4,000 from WBFA:

- 60 percent is related to bankruptcy
- 37 percent is from deceased debtors with no available monetary recourse for collection



- 3 percent were remaining balances written off after the accounts were settled and deemed uncollectable by the Department of Revenue.

Each division has its own reason for having receivables:

- The Workers' Compensation Division administers and enforces Oregon's workers' compensation laws and protects injured workers' rights and benefits. Accounts are civil penalties for not carrying workers' compensation insurance (noncomplying employers or NCE) and the claims costs (costs related to an uninsured injury) associated with this penalty.
- The Workers' Benefit Fund Assessment is a payroll assessment calculated on the basis of hours worked by all paid workers, owners, and officers covered by workers' compensation insurance in Oregon, and by all workers subject to Oregon's workers' compensation laws (whether or not covered by workers' compensation insurance). Accounts are related to nonpayment of this assessment.
- The Building Codes Division ensures safe and effective building construction by certifying inspectors and licensing trade professionals, and enforcing license, code, and permit requirements. Accounts are a result of fines and penalties.

DCBS does follow the current write-off policy as defined in 35.50.10 of the Oregon Accounting Manual, Accounts Receivable Management - Uncollectible Accounts: Write-off Guidelines. DCBS specifically follows the criteria outlined by the Department of Justice, Attorney General for uncollectability as defined in section 104.

Before DCBS writes-off debt as uncollectible, all reasonable effort is taken to collect the debt, including participating in tax-offset, assigning debt to the Department of Revenue's Other Agency Accounts program (DOR-OAA), and assigning the debt to a contracted private collection firm through the Department of Revenue. Once these avenues have been exhausted and the likelihood of collecting the debt is determined to be low, DCBS may certify the accounts as uncollectible and write-off the debt. DCBS continues to actively participate with the Department of Administrative Services and the Department of Revenue to continue to improve and streamline our accounts receivable management.

Sincerely,

Cameron Smith
Director



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Department of Consumer and Business Services

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February 5, 2019

The Honorable Senator James Manning Jr., 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. 4, 2019, several requests for information were asked regarding the Fire Marshal Tax. They were:

1. Provide a history of the Fire Marshal Tax.
2. What were the amounts collected and transferred to the Fire Marshal?
3. What would the Fire Marshal Tax be if raised to 2%?

In 1967, House Bill 1320 established the Fire Marshal Tax at 0.75 percent. Since then, the rate has been increased twice:

- In 1983, HB 2302 increased the rate to 1 percent
- In 2013, HB 2084 increased the rate to 1.15 percent, which it still is today

The table below displays the amount transferred to the Office of the Oregon State Fire Marshal through fiscal year 2018 and a projection for our current fiscal year (FY2019). These amounts do not include the amount retained by DCBS each fiscal year to cover the administrative costs for collecting and transferring this revenue, which is \$50,000 a fiscal period.



Fire Marshal Transfer

FY 2012	9,362,798
FY 2013	8,448,575
TOTAL 2011-13	17,811,373
FY 2014	9,670,772
FY 2015	10,951,553
TOTAL 2013-15	20,622,325
FY 2016	11,861,131
FY 2017	11,943,285
TOTAL 2015-17	23,804,416
FY 2018	12,729,083
FY 2019 - Forecast	13,290,964
TOTAL 2017-19	26,020,047

After the hearing, Representative Evans expanded the data request to include a projection of the Fire Marshal Tax rate at the current rate tax rate, 1.5 percent, and 2.0 percent. This information can be found in Exhibit A attached to this letter.

Sincerely,

Cameron Smith
Director



Exhibit A

Estimated Fire Marshal Transfer			
	1.15 percent	1.5 percent	2.0 percent
FY 2018	12,664,914	15,032,702	20,043,603
FY 2019	12,859,308	15,263,439	20,351,252
TOTAL 2017-19	25,524,222	30,296,141	40,394,855
FY 2020	13,288,578	15,772,965	21,030,620
FY 2021	13,897,194	16,495,365	21,993,819
TOTAL 2019-21	27,185,772	32,268,329	43,024,439
FY 2022	14,371,530	17,058,382	22,744,509
FY 2023	14,844,287	17,619,523	23,492,697
TOTAL 2021-23	29,215,817	34,677,905	46,237,206
Differences			
	1.15 percent	1.5 percent	2.0 percent
FY 2018	n/a	2,367,788	7,378,689
FY 2019	n/a	2,404,131	7,491,945
TOTAL 2017-19	n/a	4,771,920	14,870,634
FY 2020	n/a	2,484,386	7,742,041
FY 2021	n/a	2,598,171	8,096,626
TOTAL 2019-21	n/a	5,082,557	15,838,667
FY 2022	n/a	2,686,851	8,372,979
FY 2023	n/a	2,775,236	8,648,411
TOTAL 2021-23	n/a	5,462,088	17,021,389
Note: Assumes \$50,000 remains with DCBS per fiscal year and Fire Marshal rate for Surplus Lines insurers does not change.			