

PROGRAMS – THIRD PARTY COLLECTIONS

Third-Party Collections

During the 2011-13 biennium, a new General Fund appropriation was established for the cost of paying third-party collection fees associated with the collection of fees, fines, and restitution. The types of expenditures that are included in this appropriation are as follows:

- Credit Card Fees – Payments to US Bank for credit card payments made directly to the Oregon Judicial Department (OJD)
- State Treasury Fees – Charges for banking services
- Department of Revenue (DOR) – Fees related to the tax offset program and collection activities
- Private Collection Firms (PCFs) – Fees related to collection activities

Any time a fee or fine must be referred to a third party for collection, ORS 1.202(2) requires courts to assess a fee to the debtor to pay for the costs of collection. The system reference for this added fee for collections is called the Collection Referral Assessment Fee (referred to as CRAS). On average, the state recovers \$5.99 for each \$1.00 spent on third-party collection activities of which the debtor pays to cover the collection fee. Collection fees are only paid on successful collection.

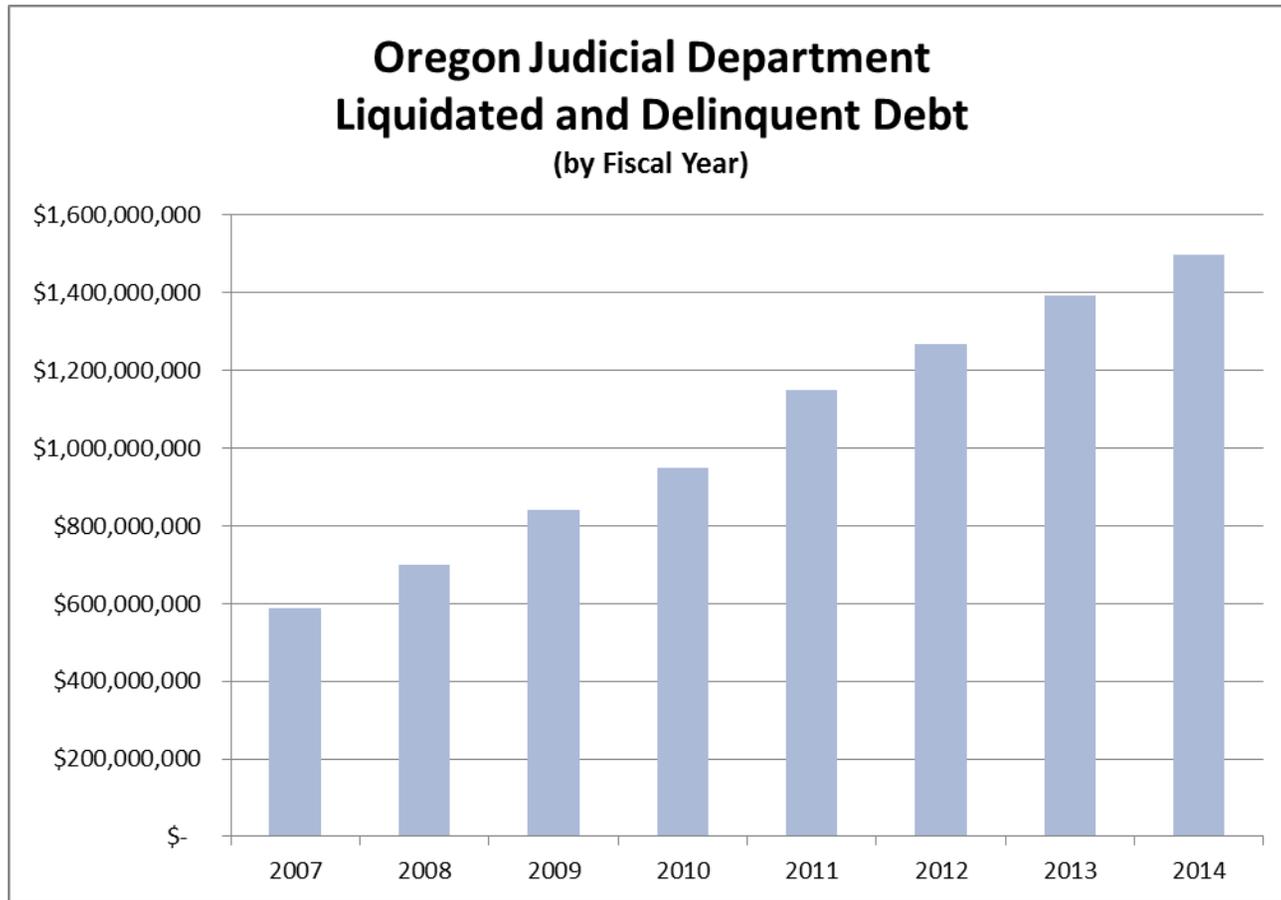
Background

State courts collect revenue from a variety of sources, such as fees for civil cases and fines for offenses. In civil cases, state law imposes filing fees and some additional fees for settlement conferences, filing some motions, and other activities. Civil fees comprise a small part of OJD's liquidated and delinquent debt (debt resulting from a judgment that is not paid on time). These fees are collected at the time of filing or the activity. However, judges have the authority to waive (not impose) or defer (allow payment at a later date or over time). Where these actions are taken, fee deferrals are more likely to be granted than waivers.

Courts also impose and collect fines for offenses (crimes and noncriminal violations) that are sent to state-level funds and accounts and to local governments. Courts can impose and collect restitution and compensatory fines that go to individual crime victims. Monetary obligations in offense cases can remain valid for up to 50 years.

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The amount of liquidated or delinquent debt has continued to increase. The graph below details the growth from 2007-2014.

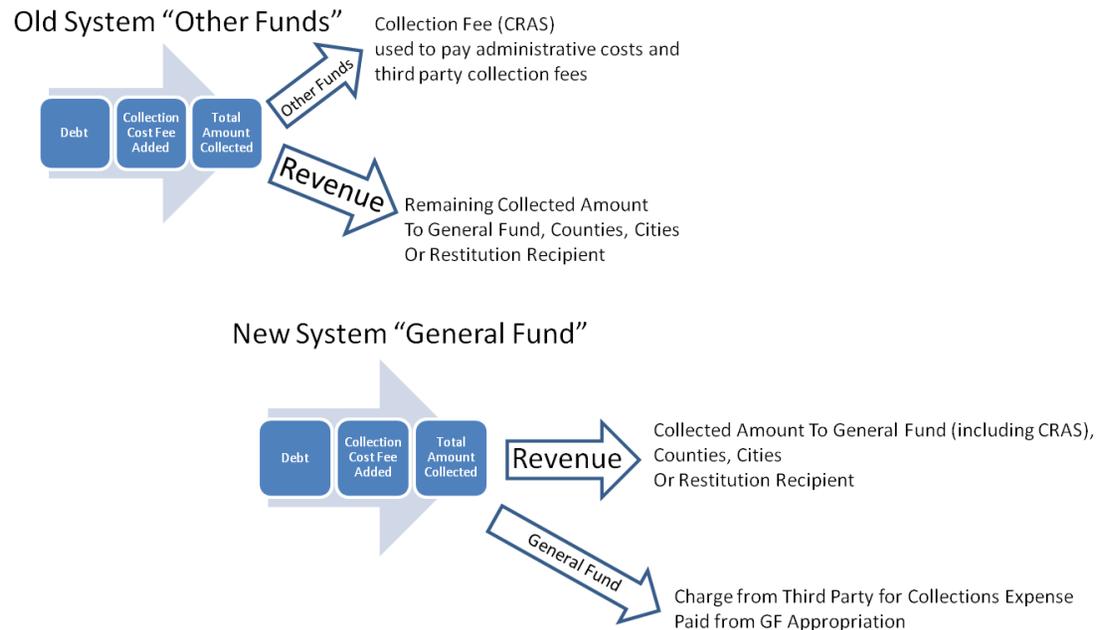


As of June 30, 2014, the total OJD liquidated and delinquent debt owed to the state and victims was \$1.5 billion.

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Budget Changes

During the 2011 Legislative Session, modifications were made to the process of how collections activities were funded. Prior to the 2011-13 biennium, revenue management and collections functions were self-funding within OJD and paid with statutorily authorized fees assessed on most collected amounts and on accounts referred to third parties for collection. In contrast, the revenue from the fee for creating payment plans always has been directed to the General Fund. Beginning in 2011-13, the Legislature directed collections fee revenue to the General Fund and paid for revenue management activities from the General Fund – either through the general OJD operations appropriation or through a specific appropriation for third-party collections activities.



With the new structure, if collection activities are more successful than budgeted, meaning that revenues from collections are higher, then OJD must request additional General Fund appropriation. When an increase is not possible, the other option for staying within budget is to reduce collections activities, which will impact state revenues.

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Collection Cost Projections

The 2013-15 biennial General Fund allocation is \$11,511,551.

Collection expenditures for 2013-15 are projected to be \$11.2 million which includes a DOR rebate of \$983,694 received in October 2013 and another expected rebate of \$1,004,000 due in November 2014. DOR has given OJD a rebate of collection fees for the past three years. In 2011-13, the DOR rebate was \$1.2 million and in 2013-15 the total DOR rebate is expected to be \$1.99 million. DOR does not give OJD any projected rebate amounts for the upcoming biennium which makes budgeting for third party collection costs difficult. Based on past experience, a DOR rebate is likely and has been factored into the projected 2015-17 third-party collection expenditures. If DOR collections increase/decrease or if their overall costs change, OJD collection expenditures will be impacted by the amount of the rebate(s) issued each fiscal year. OJD is generally given a month advance notice of an expected rebate.

Projections of collection costs are based on based on the 2013-15 Office of Economic Analysis revenue forecast, current referral rates of court debt, current third-party collection rates, and the most recent trends in DOR rebates of collection fees.

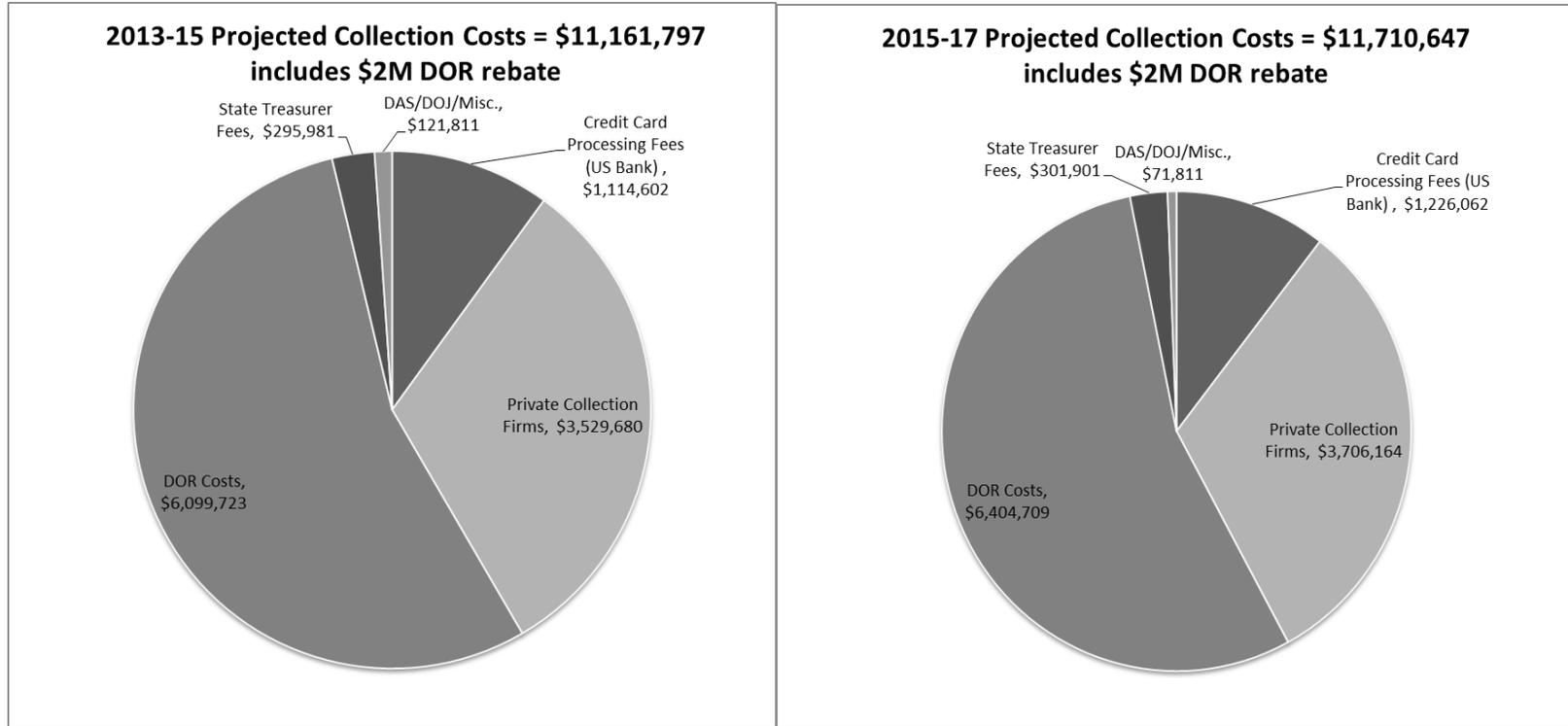
Due to the level of uncertainty that exists with fluctuating collections and external factors (third-party rate increases, third-party performance, economic downturns, future changes in staffing levels), OJD cannot predict the accuracy of our cost projection with a high degree of assurance. Changes in any of these external factors during the 2013-15 biennium will impact collection revenues and the resulting actual costs.

eCourt implementation has delayed some collection referrals due to the downtime related to each court's implementation schedule, data conversion and seeding, and the time it takes to restart the collection process for each court. The delays related to each eCourt implementation will most likely result in collected revenue in a later period so the unspent collection expenditures will be realized later rather than not at all.

New costs this biennium include: DAS mass mailing of delinquency notices, DOJ costs related to foreclosure filings to protect OJD liens on property, and increased credit card processing fees for ePayments and eFilings.

In 2015-17, collections costs and credit card processing fees are expected to increase by 5% as conversion to Odyssey (eCourt) and mandatory eFile are in fully implemented.

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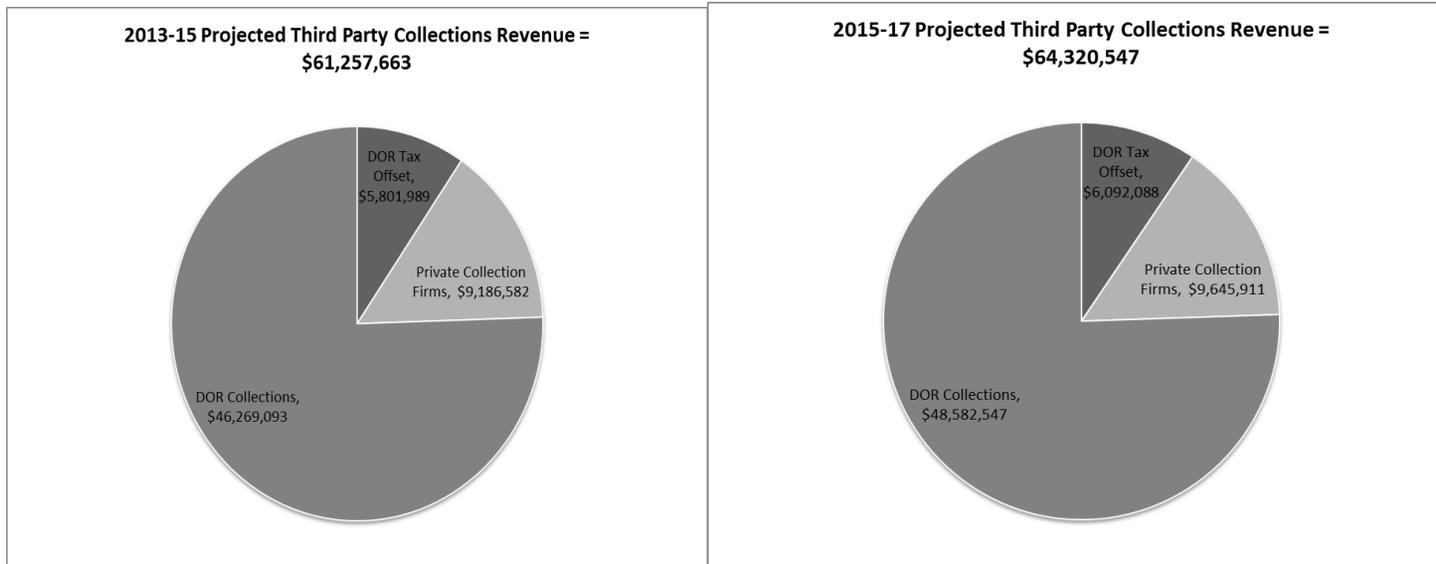
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2013-15 Third-Party Collections Revenue

Third-party revenue collections include restitution owed to victims, fines, assessments, and deferred civil filing fees. This revenue is distributed to victims of crime, the General Fund, the Criminal Fine Account, and to counties, cities, and local agencies. The Department of Revenue (DOR) has a larger percentage of OJD’s delinquent accounts and is usually the first agency where new debt is referred; therefore, they are able to collect more money than the private collection firms (PCFs).

In 2013-15, revenue collected by third parties is expected to be \$61.3 million and increase by 5% in 2015-17 to \$64.3 million.

BIENNIUM	DOR TAX OFFSET	DOR REGULAR COLLECTIONS	ALLIANCE ONE	MUNICIPAL SERVICES BUREAU	LINEBARGER	TOTAL 3RD PARTY COLLECTIONS
2009-11 Actual	\$ 2,408,105	\$ 47,594,581	\$ 8,017,035	\$ 352,345	\$ 103,974	\$ 58,476,040
2011-13 Actual	\$ 6,153,318	\$ 47,155,892	\$ 7,017,494	\$ 2,347,079	\$ 1,894,350	\$ 64,568,131
2013-15 Projected	\$ 5,801,989	\$ 46,269,093	\$ 5,032,648	\$ 2,227,216	\$ 1,926,719	\$ 61,257,663
2015-17 Projected	\$ 6,092,088	\$ 48,582,547	\$ 5,284,280	\$ 2,338,576	\$ 2,023,055	\$ 64,320,547



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Current Service Level

The Current Service Level (CSL) totals \$11.9 million (All Funds). This reflects a \$0.3 million (3.0 percent) increase over the 2013-15 Legislatively Approved Budget.

Chief Justice’s Recommended Budget

The Chief Justice’s Recommended Budget for the 2015-17 biennium totals \$11.9 million (All Funds) and does not contain any policy option packages for Third-Party Collections.

Third-Party Collections Budget Summary

	2011-13 Actual Expenditures	2013-15 Legislatively Approved Budget	2015-17 Current Service Level (CSL)	2015-17 Chief Justice’s Recommended*
General Fund	\$12,219,995	\$11,511,551	\$11,856,898	\$11,856,898
Other Funds				
Federal Funds				
Nonlimited (Other)				
TOTAL – ALL FUNDS	\$12,219,995	\$11,511,551	\$11,856,898	\$11,856,898
Positions		0	0	0
FTE		0	0	0

* Includes CSL and all policy option packages.

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Essential Packages

Purpose

The essential packages present budget adjustments needed to bring the legislatively approved budget to Current Service Level (CSL), the calculated cost of continuing legislatively approved programs into the 2015-17 biennium.

Staffing Impact

No staff is contained in Third-Party Collections.

Revenue Source

General Fund Appropriation.

021 Phase-In

The Third-Party Collections budget has no adjustment for phased-in programs.

022 Phase-Out Program and One-Time Costs

The Third-Party Collections budget has no phase-out program or one-time costs.

031 Inflation and Price List Adjustments

The cost of goods and services increases General Fund totals by \$345,347. This reflects the standard inflation rate of 3.0 percent on goods and services.

040 Mandated Caseload

The Third-Party Collections budget has no adjustment for mandated caseload

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050 Fund Shifts

The Third-Party Collections budget has no fund shifts within its CSL budget.

060 Technical Adjustments

The Third-Party Collections budget has no technical adjustments within its CSL budget.

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ORBITS and PICS Reports

BPR013 – ORBITS Essential and Policy Package Fiscal Impact Summary

ESSENTIAL AND POLICY PACKAGE FISCAL IMPACT SUMMARY

Judicial Dept
Pkg: 031 - Standard Inflation

Cross Reference Name: 3rd Party Debt Collection
Cross Reference Number: 19800-210-00-00-00000

Description	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	All Funds
Revenues							
General Fund Appropriation	345,347	-	-	-	-	-	345,347
Total Revenues	\$345,347	-	-	-	-	-	\$345,347
Services & Supplies							
Other Services and Supplies	345,347	-	-	-	-	-	345,347
Total Services & Supplies	\$345,347	-	-	-	-	-	\$345,347
Total Expenditures							
Total Expenditures	345,347	-	-	-	-	-	345,347
Total Expenditures	\$345,347	-	-	-	-	-	\$345,347
Ending Balance							
Ending Balance	-	-	-	-	-	-	-
Total Ending Balance	-	-	-	-	-	-	-

____ Agency Request
2015-17 Biennium

____ Governor's Budget
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____ Legislatively Adopted
Essential and Policy Package Fiscal Impact Summary - BPR013