

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6247-01
Bill No.: HB 2620
Subject: Office of Administration; State Departments
Type: Original
Date: March 14, 2016

Bill Summary: This proposal establishes the State Obligation Recovery Center to recover obligations owed to the state.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	(Unknown)		
Total Estimated Net Effect on General Revenue	(Unknown)	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
State Obligation Recovery Fund*	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

*Recovery Charges and Transfers to agencies and administrative costs net to \$0.

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Oversight was unable to receive some of the agency responses in a timely manner due to the short fiscal note request time. Oversight has presented this fiscal note on the best current information that we have or on prior year information regarding a similar bill. Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval of the chairperson of the Joint Committee on Legislative Research to publish a new fiscal note.

Officials from the **Joint Committee on Administrative Rules** state that the proposal is not anticipated to cause a fiscal impact to their agency beyond its current appropriation.

Officials from the **Office of the State Treasurer** assume the current proposal would not fiscally impact their agency.

Oversight assumes that this proposal allows the State Obligation Recovery Center to impose a “cost recovery charge”, as well as establishes a right to set-off against any moneys to be paid by the state to a debtor for any obligation owed by the debtor. For fiscal note purposes, Oversight will assume the State Obligation Recovery Center will have expenses and income that net zero. **Oversight** also assumes that General Revenue will fund the State Obligation Recovery Center in its first year.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
GENERAL REVENUE FUND			
<u>Expense</u> - Office of Administration State Obligation Recovery Center	<u>(Unknown)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(Unknown)</u>	<u>\$0</u>	<u>\$0</u>
STATE OBLIGATION RECOVERY FUND			
<u>Income</u> - Office of Administration State Obligation Recovery Center Fees	Unknown	Unknown	Unknown
<u>Expense</u> - Office of Administration State Obligation Recovery Center	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
NET EFFECT ON STATE OBLIGATION RECOVERY FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2017 (10 Mo.)	 FY 2018	 FY 2019
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
 <u>FISCAL IMPACT - Small Business</u>			

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

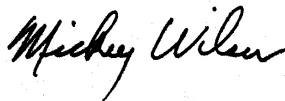
This bill establishes the State Obligation Recovery Center for the purpose of recovering any debt obligations owed to the state. The center will attempt to collect each bad debt referred to it during the account receivable cycle by suing, filing liens, entering into payment agreements or any other means specifically stated in the bill. Any payment of any kind to be made to a debtor by the state, when the debtor has an obligation that is referred to the center, is subject to offset by the center unless the obligation and cost recovery charge is paid in full or the debtor has entered into a payment plan with the center and the payment plan is current. A state debtor will be prohibited from obtaining, maintaining or renewing certain state licenses or registrations until his or her debt obligation has been paid in full or he or she has entered into a payment plan with the center. If the center is unable to recover the referred obligation, the center, with the approval of the referring entity, may forward the obligation to a collection agency, which is permitted to add a collection charge.

To fund its operations the center shall collect a cost recovery charge of 20% of the principal amount of the debt. Prior to transferring any obligation to the center, the referring entity must send a final notification to the debtor, explaining the referral and recovery charge. The State Obligation Recovery Fund is created and consists of moneys collected by the Obligation Recovery Center. The State Treasurer will be custodian of the fund and may approve disbursements. Moneys in the fund shall be used solely for the administration of this bill.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the State Treasurer
Joint Committee on Administrative Rules



Mickey Wilson, CPA
Director

Ross Strobe
Assistant Director

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