

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 \$5.60 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.

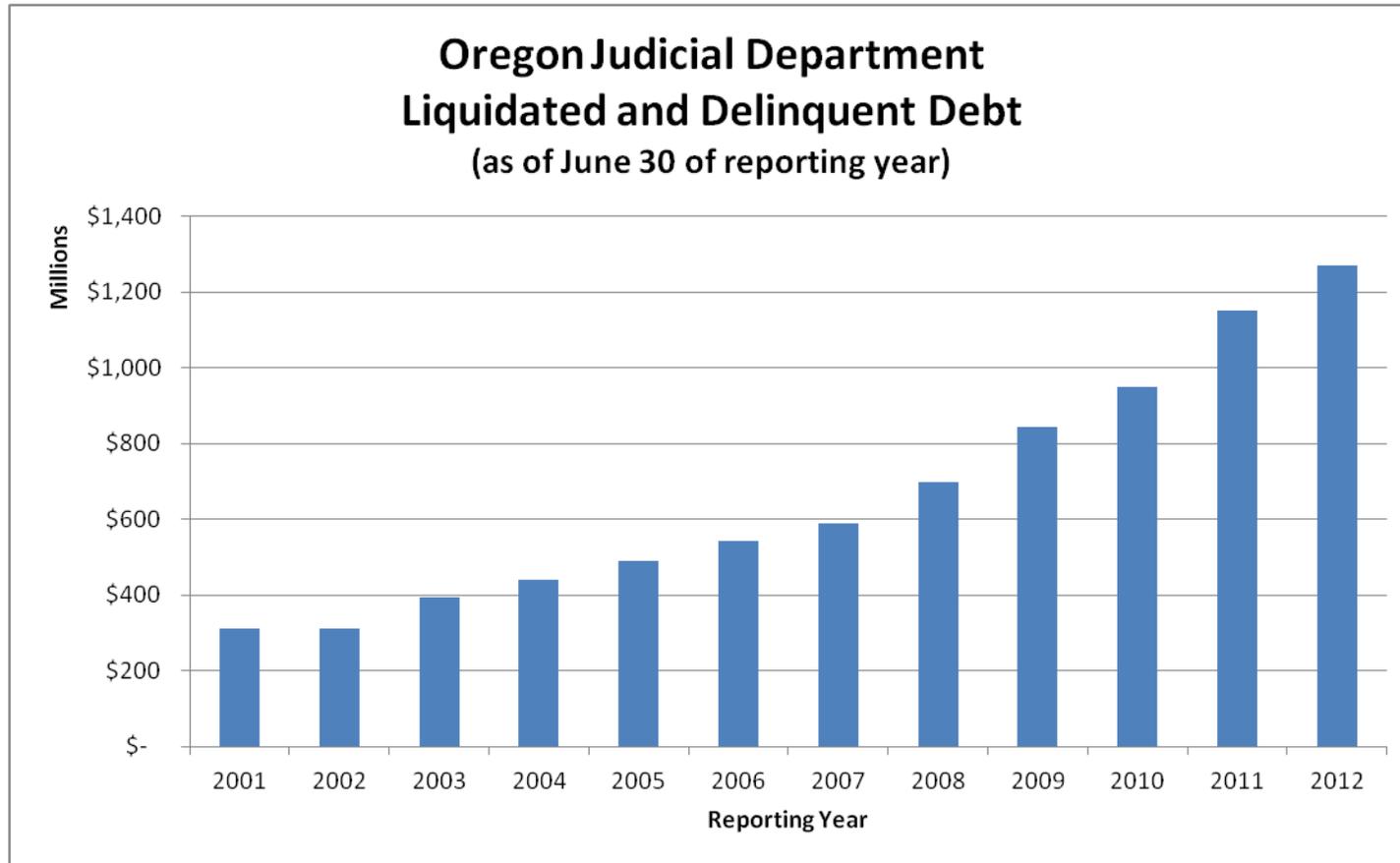
Background

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 2001-2012.



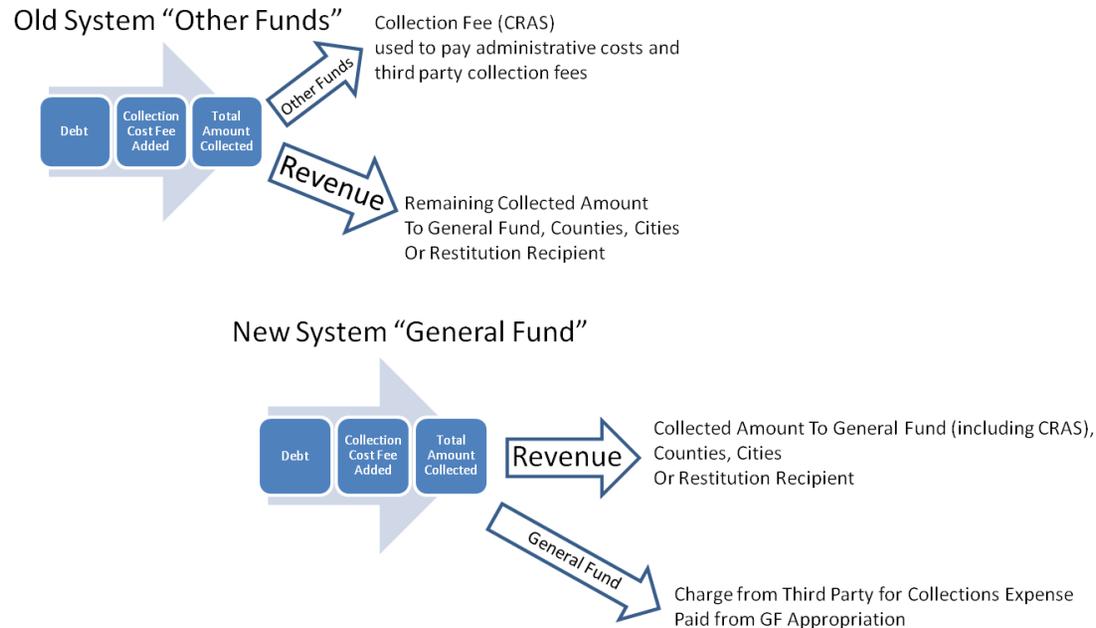
As of June 20, 2012, the total OJD liquidated and delinquent debt owed to the state and victims was \$1.27 billion.

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

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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.

Collection Cost Projections

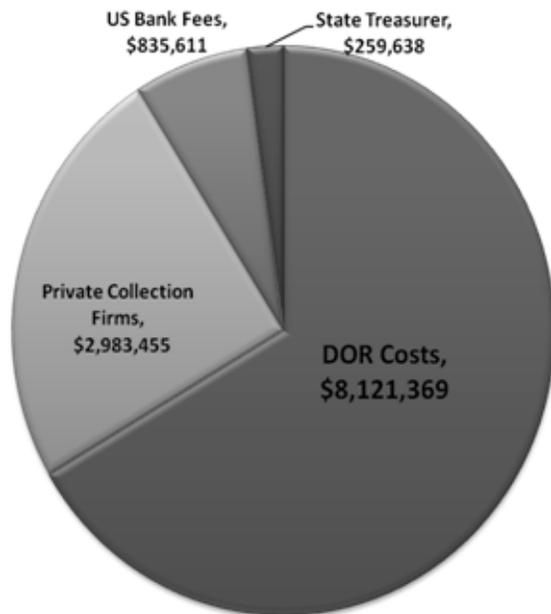
The initial allocation for the 2011-13 budget was set at \$9.3 million for the biennium. The initial budget did not take into account a 38 percent (after annual rebate a net 30.3 percent) fee increase from the Department of Revenue (DOR) for collection activities. DOR collections represent approximately 80 percent of all third-party collection activities. This rate increase created a large shortfall in the budget for this allocation. During the 2012 Legislative Session, \$2.4 million in additional funding was added to the appropriation to cover part of the projected shortfall. The final 2011-13

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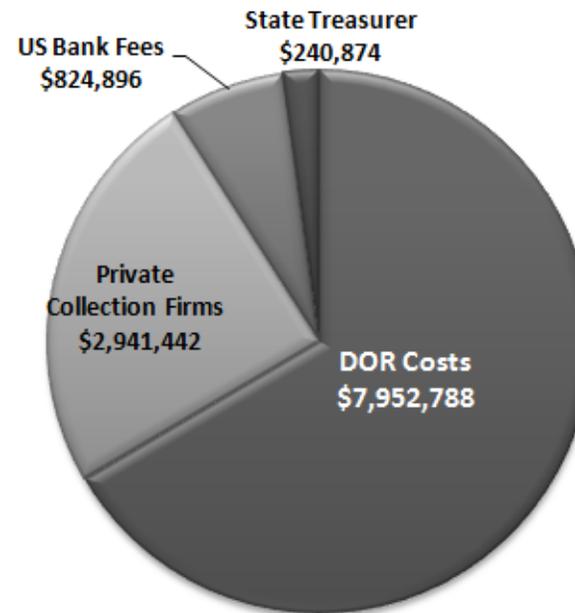
biennial General Fund allocation is \$11,679,729. However, based on 2012 collection rates, we project that the total 2011-13 collection expenditures will be approximately \$12.2 million. If present collections trends continue, OJD is forecasting a shortfall of \$481,445 in the appropriation for 2011-13, which could trigger cessation of some collection activities during the biennium, which will impact potential revenue.

Collection expenditures for 2013-15 are projected to be \$11.96 million based on the 2013-15 Office of Economic Analysis revenue forecast, current referral rates of court debt, and current third-party collection rates. 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.

2011-13 Projected Collection Fees = \$12,200,074

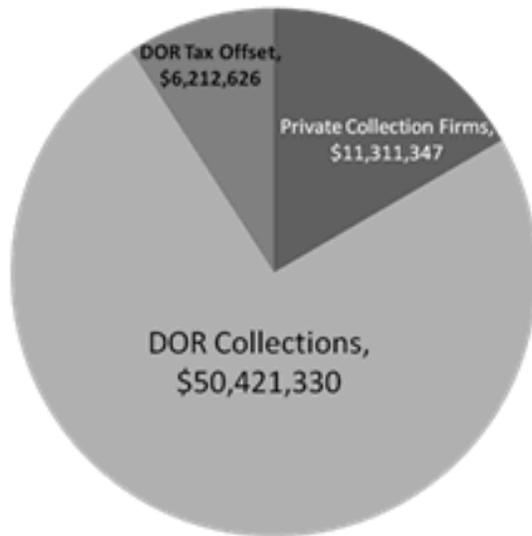


2013-15 Projected Collection Fees = \$11,960,000

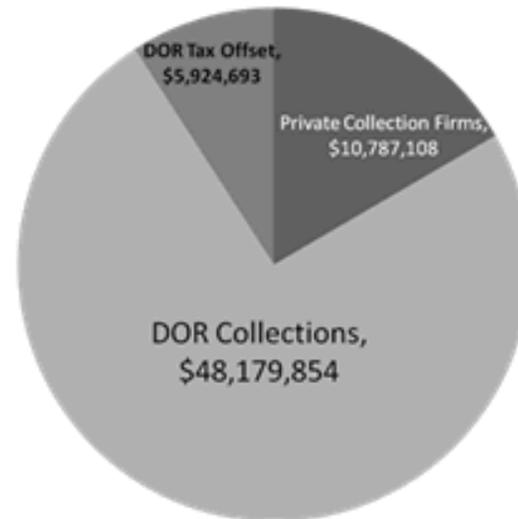


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**2011-13 Biennium Projected
Third Party Collections Revenue
= \$67,945,303**



**2013-15 Biennium Projected
Third Party Collections Revenue
= \$64,891,656**



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Current Service Level

The Current Service Level (CSL) includes Emergency Board and legislative actions through September 2012. The CSL totals \$11.96 million (All Funds). This reflects a \$0.3 million (2.4 percent) increase over the 2011-13 Legislatively Approved Budget.

Chief Justice’s Recommended Budget

The Chief Justice’s Recommended Budget for the 2013-15 biennium totals \$11.96 million (All Funds) and does not contain any policy option packages for Third-Party Collections.

Third-Party Collections Budget Summary

	2009-11 Actual Expenditures	2011-13 Legislatively Approved Budget	2013-15 Current Service Level (CSL)	2013-15 Chief Justice’s Recommended*
General Fund		\$11,679,729	\$11,960,042	\$11,960,042
Other Funds				
Federal Funds				
Nonlimited (Other)				
TOTAL – ALL FUNDS		\$11,679,729	\$11,960,042	\$11,960,042
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 2013-15 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 \$280,313. This reflects the standard inflation rate of 2.4 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	Cross Reference Name: 3rd Party Debt Collection
Pkg: 031 - Standard Inflation	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	280,313	-	-	-	-	-	280,313
Total Revenues	\$280,313	-	-	-	-	-	\$280,313
Services & Supplies							
Other Services and Supplies	280,313	-	-	-	-	-	280,313
Total Services & Supplies	\$280,313	-	-	-	-	-	\$280,313
Total Expenditures							
Total Expenditures	280,313	-	-	-	-	-	280,313
Total Expenditures	\$280,313	-	-	-	-	-	\$280,313
Ending Balance							
Ending Balance	-	-	-	-	-	-	-
Total Ending Balance	-	-	-	-	-	-	-

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Essential and Policy Package Fiscal Impact Summary - BPR013

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BPR007A – ORBITS Program Unit Appropriated Fund Group and Category Summary

Judicial Dept

Agency Number: 19800

Program Unit Appropriated Fund Group and Category Summary
2013-15 Biennium
3rd Party Debt Collection

Version: V - 01 - Agency Request Budget
Cross Reference Number: 19800-210-00-00-00000

Description	2009-11 Actuals	2011-13 Leg Adopted Budget	2011-13 Leg Approved Budget	2013-15 Agency Request Budget	2013-15 Governor's Rec. Budget	2013-15 Leg Adopted Budget
LIMITED BUDGET (Excluding Packages)						
SERVICES & SUPPLIES						
General Fund	-	9,300,000	11,679,729	11,679,729	-	-
TOTAL LIMITED BUDGET (Excluding Packages)						
General Fund	-	9,300,000	11,679,729	11,679,729	-	-
LIMITED BUDGET (Essential Packages)						
031 STANDARD INFLATION						
SERVICES & SUPPLIES						
General Fund	-	-	-	280,313	-	-
TOTAL LIMITED BUDGET (Essential Packages)						
General Fund	-	-	-	280,313	-	-
LIMITED BUDGET (Current Service Level)						
General Fund	-	9,300,000	11,679,729	11,960,042	-	-
TOTAL LIMITED BUDGET (Including Packages)						
General Fund	-	9,300,000	11,679,729	11,960,042	-	-
OPERATING BUDGET						
General Fund	-	9,300,000	11,679,729	11,960,042	-	-
TOTAL BUDGET						
General Fund	-	9,300,000	11,679,729	11,960,042	-	-

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Program Unit Appropriated Fund and Category Summary- BPR007A