

# HOUSE BILL REPORT

## HB 2637

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As Reported By House Committee On:  
State Government

**Title:** An act relating to increasing collection of state-held bad debt.

**Brief Description:** Developing a plan to increase collection of state-held bad debt.

**Sponsors:** Representatives Karahalios, Reams, Foreman, Kessler, Roland, Brough, Zellinsky, B. Thomas, Linville, Eide, Springer, G. Fisher, R. Johnson, Finkbeiner, Rayburn, Hansen, Mastin, Patterson, Brown, Chandler, Morris, Flemming, Forner, Wolfe, Campbell, Johanson, Quall, Horn, Romero, Schoesler, Moak, Fuhrman, Dyer, Wood, L. Thomas, Tate, Mielke, Backlund and Long.

**Brief History:**

Reported by House Committee on:  
State Government, February 2, 1994, DPS.

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### HOUSE COMMITTEE ON STATE GOVERNMENT

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 5 members: Representatives Voloria, Vice Chair; Campbell; Conway; King and Pruitt.

**Staff:** Bonnie Austin (786-7135).

**Background:** State law authorizes state agencies to contract with collection agents to collect public debts owed to the state if: (1) There has been an attempt to advise the debtor of the existence of the debt, and the debt may be assigned to a collection agency if the debt is not paid; and (2) at least 30 days have elapsed from the time the notice was sent. The Department of General Administration maintains a statewide contract for collection agency services which may be used by state agencies.

The Office of Financial Management (OFM) is responsible for adopting accounting procedures relating to agency collection of "receivables." Receivables are defined to include amounts due from private individuals, businesses, agencies, funds or other governmental units. According to OFM, an Accounts Receivable Task Force has been working on ways to

increase agency collection of debt. However, this group is no longer meeting.

**Summary of Substitute Bill:** The Office of Financial Management (OFM) will develop a plan to increase the use of private contracts to collect debt held by the state that state employees have spent at least nine months trying to recoup. OFM is directed to consider additional contracts: (1) To sell state-held debt for a single payment; and (2) with private companies to collect, with the state receiving a percentage of the collections. The plan must provide specific criteria for which types of agency debt are appropriate for private collections and at what point the state will go to private contracts. The plan must include fiscal estimates of each option and a fiscal analysis of state agency implementation.

OFM will also develop recommendations on the assessment of either delinquency or administrative fees on debtors. These must be reported to the appropriate fiscal committees of the Legislature by August 1, 1994.

**Substitute Bill Compared to Original Bill:** The plan will seek to increase the use of private collection contracts only on debt that state employees have spent at least nine months trying to recoup.

**Fiscal Note:** Requested January 25, 1994.

**Effective Date of Substitute Bill:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** There is currently no written plan and no comprehensive policy on collection of debt owed to the state. This plan is intended to bring the public and private sector together to come up with effective solutions. This is good for the taxpayers and good for collection agencies. Collection agents don't get paid until the money comes in. With regard to bad checks, the agency retains 100 percent of the check amount, and the collection agent receives the fees.

**Testimony Against:** None.

**Witnesses:** Representative Sue Karahalios, prime sponsor (pro); and Mark Gjurasic, Washington Collector Association (pro).