

HOUSE BILL REPORT

SSB 5827

As Reported By House Committee On:
Government Administration

Title: An act relating to fees for judicial and nonjudicial collection of governmental debt by collection agencies.

Brief Description: Collecting the cost of governmental entities using collection agencies.

Sponsors: Senate Committee on Government Operations (originally sponsored by Senators Roach, Haugen and Long).

Brief History:

Committee Activity:

Government Administration: 4/1/97, 4/4/97 [DPA].

HOUSE COMMITTEE ON GOVERNMENT ADMINISTRATION

Majority Report: Do pass as amended. Signed by 11 members: Representatives D. Schmidt, Chairman; D. Sommers, Vice Chairman; Scott, Ranking Minority Member; Gardner, Assistant Ranking Minority Member; Doumit; Dunn; Dunshee; Murray; Reams; Smith and L. Thomas.

Minority Report: Without recommendation. Signed by 2 members: Representatives Wensman and Wolfe.

Staff: Bronwyn Mauldin (786-7093).

Background: Governmental entities, including agencies, departments, taxing districts, counties, and cities, may contract with private licensed collection agencies for the purpose of collecting public debts owed by any person. Collection agencies on contract to governmental entities have no more remedies or powers available to them than when they are collecting on behalf of private creditors. In either case, a collection agency may only collect allowable interest, collection costs or handling fees expressly authorized by statute, in addition to the outstanding principal. In the case of a suit, attorneys' fees and taxable court costs may also be collected.

A debt may not be assigned to a collection agency until at least 30 days after notice is sent informing the debtor of the existence of the debt and that the debt may be assigned to a collection agency.

Summary of Amended Bill: Governmental entities, including agencies, departments, taxing districts, counties, and cities, contracting with a collection agency to collect a public debt, may add a reasonable collection fee to the outstanding debt. Such debt may include crime victim restitution. The collection fee must be paid by the debtor directly to the collection agency. This fee is for collection agency fees incurred or to be incurred.

The amount of the fee is left to the agreement of the government entity and the collection agency or agencies. The fee may be as much as 50 percent of the amount of the first \$100,000 of unpaid debt per account, and up to 35 percent of the unpaid debt over \$100,000. A minimum fee may be the full amount of the debt, up to \$100. Any fee agreement entered into by a governmental entity is presumed reasonable.

A debt may not be assigned to a collection agency until at least 30 days after an attempt is made to notify the debtor of the debt and that it may be assigned to a collection agency.

Amended Bill Compared to Substitute Bill: The amended bill changes the maximum amount of the collection fee to 50 percent of the first \$100,000 of debt and 35 percent of any amount of the debt over \$100,000.

Appropriation: None.

Fiscal Note: Not requested.

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

Testimony For: This holds government agencies and debtors accountable. Market forces and the governmental entity will determine the amount of the fee.

Testimony Against: None.

Testified: Mark Gjurasic, Kathy Rouner and Kevin Underwood, Washington Collectors Association.