Washington State
House of Representatives
Office of Program Research

BILL ANALYSIS

Government Accountability & Oversight Committee

HB 1123

Brief Description: Requiring state agencies to use private collection agencies.

Sponsors: Representatives Hurst and Dahlquist.

Brief Summary of Bill

- Requires all state agencies and institutions to assign all debts over 90 days past due to licensed collection agencies.
- Establishes provisions for state employees displaced by the act to be placed on the statewide layoff list, receive severance pay, and under certain conditions, be eligible for additional service credit at retirement.

Hearing Date: 1/22/13

Staff: Trudes Tango (786-7384).

Background:

Collections of debts owed to state agencies
State agencies collect various types of debt. For example, the Employment Security Department collects taxes from employers to fund the unemployment insurance program and collects from individuals when unemployment benefits have been overpaid. The Department of Social and Health Services' Division of Child Support collects child support debts that have been assigned to the state. The Health Care Authority collects money from clients and vendors for overpayments.

State agencies and other public entities may contract with licensed collection agencies to collect public debts owed by any person. However, no debt may be assigned to a collection agency unless there has first been an attempt to notify the debtor and at least 30 days have passed from the time notice was attempted. The amount paid for collection services is left up to the

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agreement between the governmental entity and the collection agency, but the statute specifies certain fees that would be considered reasonable (contingent fee of up to 50% of the first $100,000 of the unpaid debt per account and up to 35% of the unpaid debt of over $100,000 per account is reasonable).

Collection agencies are required to be licensed by the state and are subject to both state and federal debt collection laws that prohibit certain practices in attempting to collect debts.

Civil Service Law
The state civil service laws establish a system to govern personnel administration, such as promotions, transfers, layoffs, classification, and discipline, of public employees subject to the civil service laws. Certain employees, such as certain managers of state agencies, may be exempt from state civil service. Represented employees subject to collective bargaining agreements may also be exempt from the civil service laws.

There are specific procedures established under the civil service laws governing the layoff of employees and under what conditions an employee is eligible to be placed on an employer's statewide layoff list.

Public Employment Retirement System
The Public Employees' Retirement System (PERS) provides benefits for all regularly compensated public employees and appointed officials, unless they fall under a specific exemption.

Benefits vary depending on the plan (PERS 1, 2 or 3), but in general, members of a plan are eligible to retire if they reach a certain age and have a certain number of years of service. For example, the PERS 2 plan provides a retirement allowance based on 2 percent of the final average salary for each year of service, with a normal retirement age of 65 with 5 years of service.

PERS members may retire early, if certain conditions are met, but they receive reduced benefits. Members of PERS may purchase up to five years of additional service credit at the time of early retirement.

Summary of Bill:

All state agencies and institutions must assign all debts over 90 days past due to a collection agency licensed by the state. State agencies and institutions contracting for debt collection services must give preferences to businesses that have hired state employees who have been displaced by the act. The Department of General Administration (now Department of Enterprise Services) must develop a process to certify the businesses that have hired displaced state employees.

Any state employee who has been displaced as a result of the act is eligible for placement on the statewide layoff list for employment by other state agencies. A displaced state employee who is not offered employment with the state within 90 days of termination will receive a severance payment equal to six months of the employee's regular rate of pay at the time of termination.

A state employee who has been displaced as a result of the act after having earned 15 years of service credit while working for the state and who is eligible to retire may apply for up to five years of additional service credit. However, service credits will be reduced by one service credit month for each month the employee worked for an employer during the five year period immediately following the displacement. These additional service credits are provided at no cost to the employee. Additional service credit is not membership service and is to be used only to increase the value of the employee's retirement allowance. The employee may not receive more than a total of five additional service credits.

Appropriation: None.

Fiscal Note: Requested.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.