

**** REVISED****

**Department of Planning and Budget
2009 Fiscal Impact Statement**

1. Bill Number: HB 2037

House of Origin ☐ Introduced ☐ Substitute ☐ Engrossed
Second House ☐ In Committee ☐ Substitute ☒ Enrolled

2. Patron: **Iaquinto, S.**

3. Committee: Passed Both Houses

4. Title: Collection of debt owed the Commonwealth

5. Summary:

Note: This impact statement has been revised to recommend an amendment to the bill to exclude the Department of Taxation from the components of the bill. See Item 10.

HB 2037 establishes the Debt Collection Recovery Fund and provides that the Department of Law, Division of Debt Collection (DDC) shall (i) deposit to the Fund all revenues generated by it, less any cost of recovery, from receivables collected on behalf of state agencies and (ii) transfer the remaining funds to the appropriate state agencies on a periodic basis. In addition, the bill provides that final orders of final agency case decisions may be recorded, enforced, and satisfied as orders or decrees of a circuit court upon certification of such orders by the agency head or his designee. Furthermore, each state agency and institution may charge attorney's fees and collection fees on all past due accounts receivable.

This legislation implements recommendations in the report submitted by the Office of the Attorney General (OAG) to the Governor and General Assembly in 2006 entitled, "Most Cost-Effective Strategies for Improving Virginia's Collections of Receivables, Including Both General and Nongeneral Fund Receivables." The report was required by Item 52 D of the 2006 Appropriation Act.

The enrolled bill has no change in the fiscal impact.

6. Fiscal Impact Estimates: Not available, see Item 8.

7. Budget Amendment Necessary: No.

8. Fiscal Implications: Staff at the OAG report this bill should result in additional revenue for the Commonwealth, but the amount is not known. Here are highlights of the bill that have fiscal implications:

- The amendment for §2.2-4023 clarifies that final administrative orders of agencies can be recorded and enforced just like circuit court judgments. The OAG reports, the "most significant impact will be to realize a savings in man hours since the DDC will

not have to re-litigate in court issues already litigated and decided at the agency level in a process that provides due process protections for the parties.”

- The amendment to §2.2-4805 adds attorney fees, late fees, and collection fees to the costs agencies can charge to past due accounts, resulting in a positive fiscal impact for agencies since they will recoup closer to the full amount of their debt. This section codifies current policy issued by the Department of Accounts in Topic 20505 of its accounting policy and procedures manual.

The policy reads in part, “... with sufficient prior notice—either in a publication (like a student handbook), a contract, or via signs posted in public places—interest, charges and fees may be assessed against the debtor.”

- The amendment to §2.2-4806 clarifies that an agency must refer a past due account to the DDC within the statutory timeframe. This change will increase collections, since the debt will not be able to become stale and uncollectable.
- Establishment of the Debt Collection Recovery Fund in §2.2-518 codifies current use of the fund by the DDC for budget development and execution.

9. Specific Agency or Political Subdivisions Affected:

Office of Attorney General, Division of Debt Collection
State agencies with outstanding debt

10. Technical Amendment Necessary: A third enactment clause should be added to the bill to exclude the Department of Taxation from the debt collection process amended by this bill.

11. Other Comments: None

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