SB 254 A STAFF MEASURE SUMMARY

Senate Committee On General Government and Accountability

Action Date:	03/27/17
Action:	Do pass with amendments and requesting referral to Ways and Means. (Printed A-Engrossed.)
Vote:	5-0-0-0
Yeas:	5 - DeBoer, Hass, Prozanski, Riley, Thatcher
Fiscal:	Fiscal impact issued
Revenue:	Revenue impact issued
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WHAT THE MEASURE DOES:

Requires financial institutions to use Oregon Department of Revenue (DOR) data match system once per quarter to identify delinquent debtors' accounts. Requires DOR to pay financial institutions as specified, and permits reimbursement to be sought from debtors with proper notice. Provides exceptions for certain institutions and immunity from liability for institutions complying in good faith. Prioritizes collection of delinquent child support obligations enforced by Oregon Department of Justice (DOJ) before DOR may act to collect other debt. Permits specified agreements internal to DOJ and between DOJ and DOR concerning information sharing. Prohibits disclosure of transmitted information to delinquent debtor, and other unauthorized use or disclosure of transmitted information, as specified. Authorizes DOR to impose civil penalty of up to $1,000 against noncompliant financial institutions in certain circumstances; up to $2,500 for prohibited disclosures to delinquent debtors; and up to $1,000 for other unauthorized disclosures. Credits penalties to General Fund. Creates Class C felony for unauthorized use or disclosure of transmitted information by state officer or employee. Directs dismissal of such officer or employee and prohibits service in public office for five years. Authorizes DOR rulemaking in consultation with banking, credit union and Department of Consumer and Business Services representatives. Becomes operative July 1, 2018. Takes effect 91st day after *sine die*.

ISSUES DISCUSSED:

- History and development of measure
- Amounts of uncollected debt owed state
- Operationalizing Secretary of State's 2015 audit recommendations
- Current process inefficiencies and costs
- Other state's and federal data matching tools
- Potential revenue to be realized by improving collections processes

EFFECT OF AMENDMENT:

Removes emergency clause. Becomes effective 91st day after *sine die*. Adjusts date that DOR is required to adopt rules, from January 1 to July 1, 2018.

BACKGROUND:

Liquidated and delinquent debt owed to the State of Oregon totals about $3.3 billion; the Oregon Department of Revenue (DOR) alone is owed over $600 million. Oregon does not currently permit DOR to use financial institution data matching (FIDM) programs for debt collection purposes. If the location of a debtor's funds are not known, DOR must guess which institution the debtor might use, and issue a garnishment. The financial institution then conducts a search upon receipt of the garnishment, to determine whether the debtor has an account. DOR pays the fee to conduct the search and the cost is added to the delinquent balance owed the state. Other states permit the use of FIDM programs for state agency collections purposes, but in Oregon, only the the Oregon Department of Justice

(DOJ) uses FIDM programs, in addition to receiving federally mandated reports from employers on all newly hired and rehired personnel, for child support enforcement purposes. To improve the efficiency of garnishments, potentially increase collections and relieve financial institutions from conducting unnecessary searches, the State Debt Collection Audit issued by the Secretary of State in 2015 recommended allowing DOR to use FIDM programs and to access new hire information available to DOJ.

Senate Bill 254-A requires financial institutions to use DOR's data match system to identify delinquent debtors' accounts on a regular, scheduled basis (once per quarter), with exceptions for institutions where it would not be cost-effective, or those experiencing financial hardship. DOR is directed to reimburse financial institutions up to $2,500 for start-up costs and up to $150 per quarter. The measure provides immunity from liability for financial institutions complying in good faith, and protects against misuse of information by providing for a penalty of up to $2,500 for unauthorized disclosures to delinquent debtors, and up to $1,000 for other unauthorized disclosures. The measure also creates a Class C felony for unauthorized use or disclosure of information by a state officer or employee, which would also subject the employee to dismissal and prohibit them from public office for five years. Finally, Senate Bill 254-A authorizes DOJ's Division of Child Support to share information with DOR about new and rehired employees, but prioritizes collection of delinquent child support obligations enforced by DOJ, before DOR may act to collect other debt.