



Legislative Fiscal Office
 82nd Oregon Legislative Assembly
 2024 Regular Session

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Bill Title: Relating to protections from debt collection; prescribing an effective date.

Government Unit(s) Affected: Department of Revenue, Employment Department, Department of Administrative Services, Judicial Department, Department of Justice, Bureau of Labor and Industries

Summary of Fiscal Impact

2023-25 Biennium	General Fund	Lottery Funds	Other Funds	Federal Funds	Total Funds	Positions	FTE
Department of Revenue	\$ 631,834	\$ -	\$ 229,729	\$ -	\$ 861,563	4	1.88
Total Fiscal Impact	\$ 631,834	\$ -	\$ 229,729	\$ -	\$ 861,563	4	1.88

2025-27 Biennium	General Fund	Lottery Funds	Other Funds	Federal Funds	Total Funds	Positions	FTE
Department of Revenue	\$ 511,366	\$ -	\$ 225,498	\$ -	\$ 736,864	3	3.00
Total Fiscal Impact	\$ 511,366	\$ -	\$ 225,498	\$ -	\$ 736,864	3	3.00

Summary of Revenue Impact

2023-25 Biennium	General Fund	Lottery Funds	Other Funds	Federal Funds	Total Funds
Employment Department	\$ -	\$ -	\$ (666,120)	\$ -	\$ (666,120)
Total Fiscal Impact	\$ -	\$ -	\$ (666,120)	\$ -	\$ (666,120)

2025-27 Biennium	General Fund	Lottery Funds	Other Funds	Federal Funds	Total Funds
Employment Department	\$ -	\$ -	\$ (2,876,447)	\$ -	\$ (2,876,447)
Total Fiscal Impact	\$ -	\$ -	\$ (2,876,447)	\$ -	\$ (2,876,447)

- This table only reflects revenue impacts related to the Employment Department Special Fraud Control Fund as these are moneys collected by the Oregon Employment Department to fund administrative costs.
- Revenue impacts to the General Fund, state agency collections, and the Unemployment Insurance and Paid Leave Oregon Trust Funds can be found in the Revenue Impact Statement issued by the Legislative Revenue Office.

Measure Description

This measure modifies the amount of income and property that is exempt from execution of a judgment or garnishment. Certain exemption amounts would be recalculated each year based on the Consumer Price Index. The measure also changes requirements for garnishment account review when a financial institution receives a writ of garnishment for a debtor; and changes the process for a person seeking to reclaim exempt property from

a garnisher. Social Security Benefits, workers' compensation benefits, unemployment benefits, veterans' benefits, and pensions are exempt from garnishment, except in cases of child and spousal support. The measure also expands unlawful debt collection practices.

Fiscal Analysis

The estimated fiscal impact is \$0.9 million total funds in the 2023-25 biennium, and \$0.7 million total funds in the 2025-27 biennium. There is an additional revenue impact for the Oregon Employment Department that could impact staffing levels in future biennia.

Department of Revenue

The estimated fiscal impact for the Department of Revenue (DOR) is \$631,834 General Fund and \$229,729 Other Funds in the 2023-25 biennium, and \$511,366 General Fund and \$225,498 Other Funds in the 2025-27 biennium. DOR collects tax and non-tax debt, including on behalf of other state agencies, and uses garnishment as a tool to collect on these debts.

To implement this measure, DOR would need to update the agency's GenTax system to provide an updated online portal for garnishees, support new forms, and support an updated garnishment challenge process and differentiation between the different types of debt included in the measure. The agency would also need to work with staff on new processes for wage and bank garnishments. To do this work, DOR would hire four new full-time positions, including:

- One permanent Operations and Policy Analyst 2 to support updates to garnishment forms and procedures, train staff on the new garnishment rules and collection process, and to process garnishment hearings, which are projected to increase due to additional complexity of garnishment requirements under this measure (0.54 FTE in the 2023-25 biennium, 1.00 FTE in the 2025-27 biennium).
- One permanent Operations and Policy Analyst 3 to build GenTax requirements and test changes to the system related to this measure (0.54 FTE in the 2023-25 biennium, 1.00 FTE in the 2025-27 biennium).
- One permanent Information Systems Specialist 6 to perform ongoing maintenance and support for the GenTax system; this measure is anticipated to increase ticket volume and future change requests (0.25 FTE in the 2023-25 biennium, 1.00 FTE in the 2025-27 biennium).
- One limited duration Information Systems Specialist 7 to manage GenTax program updates necessary to implement the measure (0.54 FTE in the 2023-25 biennium).

In addition to the costs of these positions and position-related services and supplies, there would be estimated costs of \$280,665 General Fund and \$83,835 Other Funds to contract for GenTax program updates. While the agency plans to hire additional IT staff to perform this work on an ongoing basis, it would likely be difficult to both hire new positions and complete the needed IT updates before January 1, 2025, when changes to garnishment amounts and practices go into effect.

Employment Department

The Oregon Employment Department (OED) could see a loss of both trust fund revenues and revenues that fund administration. This revenue loss is related to the increase of wage garnishment exemption amounts, and exemptions from execution of judgement.

OED uses wage garnishment to recover Unemployment Insurance (UI) and Paid Leave Oregon Trust Fund benefits that have been overpaid. The Revenue Impact Statement issued by the Legislative Revenue Office includes an estimated revenue impact for the UI Trust Fund of -\$1 million in the 2023-25 biennium and -\$4.4 million in the 2025-27 biennium. There is a projected revenue impact of -\$0.8 million for the Paid Leave Oregon Trust Fund in the 2023-25 biennium, and -\$2.8 million in the 2025-27 biennium. As per LRO, these revenue changes are not anticipated to change the UI tax rate or impact OED's ability to fund UI benefits. There will also be a minimal impact on federal collections.

As a result of the reduced collections, OED would see a reduction in revenues that are deposited in the Employment Department Special Fraud Control Fund. This fund receives revenue from interest and penalties that are charged based on the amount of UI benefits that a person received without being eligible. This fund is used for administrative costs of recovering unemployment benefit overpayments and administrative costs of other benefits programs, as well as costs related to the Lost Wages Assistance program. The total revenue loss to this account is estimated at -\$0.7 million in the 2023-25 biennium, and -\$2.9 million in the 2025-27 biennium. This amount would fund the equivalent of three positions in the 2023-25 biennium, and 13 positions in the 2025-27 biennium. OED may be able to backfill this lost revenue with other sources of funding, but the sources of this additional funding and amounts available are indeterminate at this time, so it is not possible to draw conclusions about the overall administrative impacts of the revenue reductions to the Fraud Control Fund.

Interest and penalties from overpaid Paid Leave Oregon benefits are deposited into the Paid Leave Oregon Trust Fund. Loss of revenue to this Trust Fund would impact moneys available for paid leave benefits as well as administrative revenues, since both types of costs are funded through the Paid Leave Oregon Trust Fund. Due to the fact that this program is fairly new and therefore has limited data to draw from, the total impact of this revenue loss is indeterminate at this time.

There is an additional indeterminate impact related to debt recovery through sale or refinancing of homes, since this measure modifies the amount exempt from execution of judgement; however, OED does not have data on how these actions impact recovery of debt.

Other entities

The Revenue Impact Statement issued by the Legislative Revenue Office includes an additional statewide estimated loss of revenue equivalent to -\$1 million in the 2023-25 biennium, and -\$4.8 million in the 2025-27 biennium. These are debt amounts collected by DOR on behalf of other state agencies. The total budgetary impact to individual agencies due to this loss of revenue is indeterminate, as this loss of revenue is spread across multiple state agencies with collections outstanding.

There is no or minimal fiscal impact for the Bureau of Labor and Industries, Judicial Department, Department of Justice, and Department of Administrative Services.

Relevant Dates

The measure declares an emergency and takes effect on passage.

Changes to garnishment amounts and practices found in Sections 1-17, 19-25, 27, 28, and 31 are operative January 1, 2025.