SESSION OF 2004

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2669

As Amended by Senate Committee on Ways and Means

Brief*

HB 2669 would amend statutes related to the Accounts Receivable Debt Setoff Program administered by the Division of Accounts and Reports.

First, HB 2669 would clarify a technicality. The bill would change language concerning the disposition of funds collected by the Division of Accounts and Reports. Currently, the law states that proceeds, net of collection fees, will be transferred to the owner of the debt. HB 2669 would change that language so that amounts collected net of the collection fee are transferred to state agencies' funds, but paid to non-state entities whose funds are outside the state accounting system.

In addition, the bill changes the reasonable collection assistance fees to be charged to each type of participant. All fees charged to non-state agency participants are based on contract or agreement. Fees charged to state agencies currently are to be based on cost, as determined by generally accepted cost allocation techniques. HB 2669 would provide that the fee for a state agency not exceed 20.0 percent of the amount collected. The bill would also remove the $300 cap on fees charged to the Department of Human Resources for collection of unemployment debts.

The bill also eliminates the requirement that municipalities and out-of-state agencies credit the debtor's obligation for the gross proceeds collected. State agencies still must credit the debtor's obligation for the amount of gross proceeds collected. Proceeds from debt setoff collections are internally divided. The program receives a percentage of the collection for its fee, and the state agency to which the debt is owed receives the collection net of the fee. The debtor receives credit

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*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at http://www.kslegislature.org for the full amount received by the state regardless of how these proceeds are distributed within the state.

Finally, the bill repeals statutes involving the write off of debts considered uncollectible. HB 2669 repeals KSA 75-3728a, 75-3728c, 75-3728d, and KSA 2003 Supp. 75-3728b concerning accounts and taxes receivable written off.

HB 2669 would be effective July 1, 2004.

Background

The Director of Accounts and Reports of the Department of Administration testified in support of the bill before the House Budget Committee on General Government and Commerce.

The fiscal note indicates that HB 2669 would have no net effect on state funds. Within individual agencies, there would be a shifting of revenues as a result of the bill. The Department of Administration states that by lifting the cap of $300 for the Department of Human Resources' unemployment debts, the Department of Administration would realize an additional $2,000 to $3,000 in annual revenue, while the Department of Human Resources would experience an offsetting decrease in revenue.

From the repeal of the write off of debts statutes, the Department of Administration forecasts lost revenues to the Department of $82,758, which would be offset by additional revenues in other agencies. The repeal of the write off statutes puts those debts on an equal standing with other setoff program debt. As a result of this, the agency would receive, on average, 83.0 percent of any proceeds. Under the current law, after a debt is written off, the agency receives none of the proceeds from the collection efforts.

The Senate Committee amendment was technical in nature.