

HOUSE BILL REPORT

HB 1512

As Reported By House Committee On:
Government Administration

Title: An act relating to the use of collection agencies by governmental entities.

Brief Description: Collecting the cost of governmental entities using collection agencies.

Sponsors: Representatives Mulliken, Sheldon, Sherstad, Dunn, Boldt and Chandler.

Brief History:

Committee Activity:

Government Administration: 2/12/97, 3/5/97 [DPS].

HOUSE COMMITTEE ON GOVERNMENT ADMINISTRATION

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 8 members: Representatives D. Schmidt, Chairman; D. Sommers, Vice Chairman; Gardner, Assistant Ranking Minority Member; Dunn; Dunshee; Reams; Smith and L. Thomas.

Minority Report: Do not pass. Signed by 5 members: Representatives Scott, Ranking Minority Member; Doumit; Murray; Wensman and Wolfe.

Staff: Bronwyn Mauldin (786-7093).

Background: Governmental entities, including agencies, departments, taxing districts, counties, and incorporated cities, may contract with private licensed collection agencies for the purpose of collecting public debts owed by any person. Collection agencies on contract to governmental entities have no more remedies or powers available to them than when they are collecting on behalf of private creditors. In either case, a collection agency may only collect allowable interest, collection costs or handling fees expressly authorized by statute, in addition to the outstanding principal. In the case of a suit, attorneys' fees and taxable court costs may also be collected.

A debt may not be assigned to a collection agency until at least 30 days after a notice is sent to the debtor of the existence of the debt, and that the debt may be assigned to a collection agency.

Summary of Substitute Bill: Any governmental entity contracting with a collection agency may add a collection fee to the outstanding debt which must be paid by the debtor. This includes debts being collected on behalf of a third party, such as crime victim restitution or child support. This fee is for collection agency fees incurred or to be incurred.

The amount of the fee must be determined by agreement between the governmental entity and the collection agency. The fee may be up to 50 percent of the first \$100,000 of unpaid debt per account, and up to 35 percent of the unpaid debt over \$100,000. A minimum fee may be the full amount of the debt, up to \$100. Any fee agreement entered into by a governmental entity is presumptively reasonable.

A debt may not be assigned to a collection agency until at least 30 days after an attempt is made to notify the debtor of the existence of the debt, and that it may be assigned to a collection agency.

Substitute Bill Compared to Original Bill: The original bill required governmental entities to add a collection fee, and required that fee to be 50 percent of the unpaid debt. It did not clarify that debts being collected by a governmental entity on behalf of a third party are included. It did not make any change to notification requirements.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date of Substitute Bill: Ninety days after adjournment of session in which bill is passed.

Testimony For: This bill allows debtors to participate and be accountable to government. This bill will lead to less write-off of debts for government and better recovery of costs for collection agencies. Fifty percent is normal in the industry for collection fees.

Testimony Against: There were concerns that a required fee of 50 percent may be onerous for debtors who owe significant amounts of money. Requiring this fee on child support debts could cause the state to lose federal dollars under federal law.

Testified: (Pro) Representative Mulliken, prime sponsor; Kathy Rouner, Mark Gjurasic, Kevin Underwood, and Judy Warnick, Washington Collection Association.

(With concerns to original bill) Elizabeth Morgan, Division of Child Support; and Doug Lasher, Clark County Treasurer.