

September 24, 2019

Mr. David Roederer, Director  
Iowa Department of Management  
State Capitol Building

Glen Dickinson, Director  
Legislative Services Agency  
State Capitol Building

Office of the Secretary of Senate  
Iowa Senate  
For the Legislative Fiscal Committee  
State Capitol Building

Office of the Chief Clerk  
Iowa House of Representatives  
For the Legislative Fiscal Committee  
State Capitol Building

Re: Department of Revenue Collection Enterprise

Dear Mr. Roederer, Mr. Dickinson, and Members of the Legislative Fiscal Committee:

I am writing to update you on the Department of Revenue's total debt collection for fiscal year 2019. This report is required annually by Iowa Code Chapter 421.17(27)(j).

If you have any questions or further information is needed, please let me know.

Respectfully,



Kraig Paulsen  
Director

**Iowa Department of Revenue  
FY 2019 Centralized Collection Unit Report**

Debt collection services within the Department are provided by the Centralized Collection Unit (CCU). CCU provided debt collection services to the following state agencies:

- Department of Human Services (DHS) Child Support Recovery Unit
- DHS Health & Wellness Premiums
- DHS Medicaid Provider Overpayments
- Department of Natural Resources (DNR)
- Iowa College Aid
- Iowa Department of Revenue (IDR)
- Iowa Insurance Division (IID)

The collection function is funded by repayment receipts and collection charges passed on to obligors.

The CCU began providing debt collection services to Iowa College Aid in September 2017. In March 2018, CCU expanded its partnership with DHS to begin collecting Health & Wellness Premiums and Medicaid Provider Overpayments. In January 2019, CCU began providing debt collection services to Iowa Insurance Division.

**Costs by Fiscal Year**

The Centralized Collection Unit is self-supporting and charges for all direct and indirect costs that are properly allocable to CCU activities. No new positions were added this year. Fiscal year costs for the last three fiscal years and an estimate of the total receipts to be retained by the Department to pay for salaries, support, maintenance, services, and other costs incurred related to the CCU in the upcoming budget year are provided in Table 1.

**Table 1. Centralized Collection Unit Costs, FY 2017 – FY 2020**

	FY 2017	FY 2018	FY 2019	FY 2020
	Actual	Actual	Actual	Estimated
Cost Incurred	\$12,352,444	\$10,267,117	\$9,480,067	\$9,786,660

**Iowa Department of Revenue  
FY 2019 Centralized Collection Unit Report**

**Collections by Fiscal Year**

Table 2 shows the total collections for the Centralized Collection Unit in the last three fiscal years and an estimate of the total receipts to be collected by the CCU in the current budget year. The difference between these amounts and what is provided in the CCU quarterly report is the reporting of collections of IDR Tax Receivables. While the quarterly CCU report only includes the collections by the third-party vendor staff within the CCU, this report also includes collections attributed to IDR employees within the CCU.

Fiscal Year 2019 collections were \$184.8 million, an increase of \$14.2 million compared to FY 2018. The increase in total collections from FY 2018 to FY 2019 is mainly attributed to IDR debt collection. Of the many improvements made to IDR debt collection, there were two system enhancements put into production that increased debt collection. These enhancements addressed account recycling and accounts of deceased debtors.

**Table 2. Centralized Collection Unit Program Collections, FY 2017 – FY 2020**

	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2020 Estimated
<u>Program</u>				
IDR Tax Receivables	\$129,551,228	\$132,783,815	\$144,538,807	\$134,750,000
CCU - IDR	\$36,477,445	\$37,099,475	\$39,400,190	\$36,500,000
CCU- Judicial	\$5,626,115			
CCU - DHS Child Support	\$613,825	\$482,919	\$437,224	\$500,000
CCU - DNR	\$45,549	\$101,317	\$57,656	\$14,400
CCU - IWD	\$582,981			
CCU - College Aid		\$93,054	\$92,726	\$92,000
CCU - DHS Health & Wellness		\$66,650	\$302,224	\$250,000
CCU - DHS Medicaid		\$3,855	\$2,280	\$3,000
CCU - Iowa Insurance Division			\$870	\$2,000
Total	\$172,897,143	\$170,631,085	\$184,831,977	\$172,111,400

Notes:

IDR Tax Receivables: amounts collected from Account Receivables, Stage 1 & 2 Non Filer, and Stage 2