

November 9, 2017

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

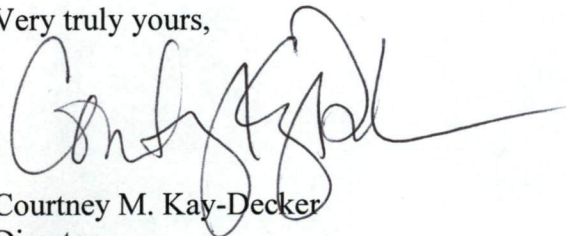
Re: Department of Revenue Collection Enterprise

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 2016 and fiscal year 2017. This report is required by Iowa Code Chapter 421.17(27)(j).

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

Very truly yours,



Courtney M. Kay-Decker  
Director

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**Centralized Collection Unit**

Collection services within the Department are provided by the Centralized Collection Unit (CCU). This includes the collection of unpaid tax obligations for the Iowa Department of Revenue (IDR), and also collections made in support of other agencies that have chosen to use the CCU's services. Historically, those agencies have included: the Judicial Branch (Court), the Department of Human Services Child Support Recovery Unit (DHS CSRU), the Department of Natural Resources (DNR), and Iowa Workforce Development (IWD). The collection function is funded by repayment receipts and by collection charges that are passed on to obligors.

Senate File 510 repealed the authority for the Judicial Branch to utilize the services of the Centralized Collection Unit. Judicial Branch collections are being phased out and no new accounts have been placed with the Department since July 1, 2015. In July 2016, CCU returned all Court accounts that were not in an existing payment plan. In June 2017, CCU returned all remaining Court accounts to the Judicial Branch.

The CCU began providing limited collection services to IWD in April 2016. In May 2017, CCU returned all accounts to IWD.

**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 cost incurred related to the CCU in the upcoming budget year are provided in Table 1.

**Table 1. Centralized Collection Unit Costs, FY 2015 – FY 2018**

	FY 2015	FY 2016	FY 2017	FY 2018
	Actual	Actual	Actual	Estimated
Cost Incurred	\$13,939,883	\$12,847,956	\$12,352,444	\$11,570,103

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**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 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.

FY 2016 collections were \$188 million, an increase of \$0.8 million (0.4%) compared to FY 2015. FY 2017 collections were \$173 million, a decrease of \$15.1 million compared to FY 2016. Half of the decline reflects the phasing-down of Court collections; the other half reflects a drop in collections for IDR.

**Table 2. Centralized Collection Unit Program Collections, FY 2015 – FY 2018**

	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Estimated
<u>Program</u>				
IDR Tax Receivables	\$124,592,702	\$139,958,728	\$129,551,228	\$124,950,000
CCU - IDR	\$30,131,417	\$33,428,605	\$36,477,445	\$36,000,000
CCU- Judicial	\$32,036,825	\$13,801,743	\$5,626,115	\$0
CCU - DHS Child Support	\$486,099	\$550,616	\$613,825	\$550,000
CCU - DNR	\$18,903	\$33,347	\$45,549	\$39,500
CCU - IWD	\$0	\$247,920	\$582,981	\$0
<b>Total</b>	<b>\$187,265,946</b>	<b>\$188,020,959</b>	<b>\$172,897,143</b>	<b>\$161,539,500</b>