



## ***Expanding the Mission of Revenue Agencies: Consolidating the Collection of Government Non Tax Debt***

John Vranna  
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### **Agenda**

- **The Changing Vision of the Future for Revenue Agencies**
- **Business Case for Consolidating Non-Tax Government Debt**
- **Challenges that must be addressed**
- **Implementation Considerations**
- **Case Study: California Franchise Tax Board**



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## What is your Organization's Vision of the Future?

Revenue Agencies have core competencies that would improve the operation of government outside the traditional mission of a tax agency

- Debt Collection
- Auditing
- Cashiering
- Data Capture
- Document Processing



**Reassess your mission and vision of the future**



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## Moving Beyond the Status Quo Requires a New Vision of the Future

- The logic for current business processes and current organizational boundaries was based upon a different time and a different world
- The world has changed; the logic no longer applies.
- Improvement requires change



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## Consolidation of Debt Collection Activities Makes Good Business Sense

- Collections is a core function for tax agencies. Armed with info sources, collection tools and legal authorities
- Many other agencies not equipped to collect on their receivables
- A **centralized collection operations** can:
  - Collect for multiple agencies and debt types
  - Provide **economies of scale**
  - **Eliminate redundant activities** on the same debtor
  - Sample successes: Michigan, California and Oregon

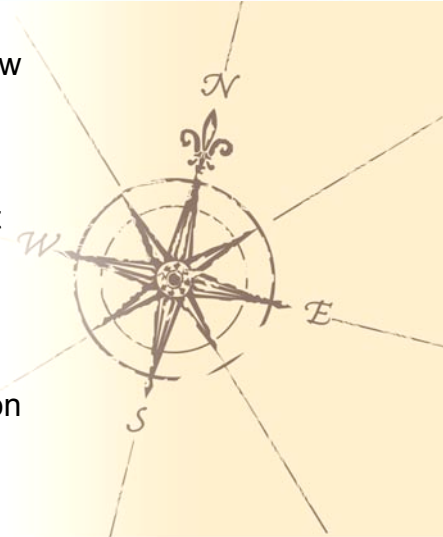


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## No Significant Industry Trends

- Plenty of Successes, yet a Slow Moving Train
- Why is this opportunity being overlooked?
  - Are the advantages difficult to see?
  - Does no one really Care?
- For many revenue agencies such activities are not seen as within the scope of their mission statement



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## Potential Roadblocks



- No capacity
- ROI skepticism - costs, disruptions and potential unintended consequences
- Resistance from possible referring agencies
- Viewed as inconsistent with existing core mission and vision of the future
  - Lack of strong initiative champion
  - Lack of stakeholder support
  - Governance Issues



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## The Realities of an Expanded Mission



- **Critical first steps**
  - Planning and preparation
  - Organizational commitment to a new vision of the future
  - Secure a champion
- **Sensitivities**
  - Expanding your role will have organizational implications
  - People will be impacted
  - Other organizations may not want your services
- **A strong business case, while essential, may not be sufficient**



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## Debt Collection Consolidation Issues to be Addressed

- Organizational placement considerations
- Funding strategies
- Interagency agreements for referral of accounts
- Enabling legislation
  - Data Sharing
  - Disclosure Issues
  - Administrative levy authorization
- Design of new collection business processes
- Management of debtor contacts
- Cashiering and accounting issues
- Collection case management applications



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## Effective Centralized Debt Collection Planning Strategies to Consider

- ✓ Study what has worked and what has not worked in other states
- ✓ Advance slowly...begin by working with one or two agencies
- ✓ Find agencies who want your help
- ✓ Determine the core capabilities and potential administrative powers that you can provide to increase the ROI for your state
- ✓ Identify and mitigate potential negative impact on existing programs

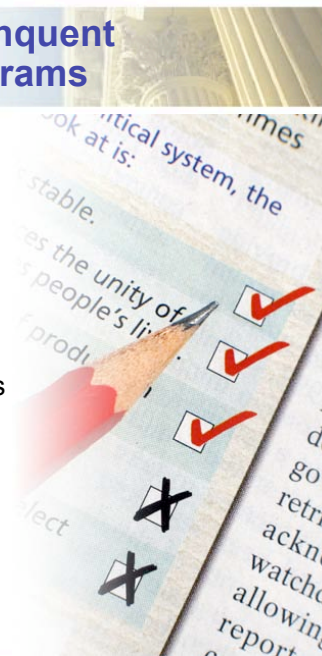


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## Observations on Managing Delinquent Non Tax Government Debt Programs

- ✗ High % of debtors are financially distressed
- ✗ Average debt is lower than average tax debt
- ✗ Traditional manual collection activities (phone calls, field visits) may not be cost effective for majority of accounts
- ✗ Programs that focus on automated collection processes have proven to be cost effective
- ✗ Automated processes to identify debtor assets dramatically improves program effectiveness
- ✗ Obtaining statutory authority to collect non tax debts as if it were a tax debt is a critical collection tool



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## Case Study California Franchise Tax Board

- Highly automated
- 3M+ delinquent accounts
- Collects ~ \$250M/year
- Debts collected currently include:
  - DMV
  - Court Ordered Debts
  - Industrial Health and Safety
- Staff totals 110 individuals
- Call center established for inbound accounts, which accounts for the bulk of staff activities within the program
- Costs recouped from amounts recovered. 15% cap



State of California  
Franchise Tax Board

**Average  
ROI  
exceeds  
20:1**



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## Summary

- First determine whether you are willing to expand your mission and revise your vision of the future
- Examining the status quo can occasionally identify surprising opportunities if you aren't totally risk adverse
- The centralization of the collection of non tax government debt within a revenue agency makes good business sense
  - Cashiering and data capture services are other examples
- The set up process is difficult but the ROI can be significant
- Existing non tax collection programs cannot materially improve without your help



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## Contact Information

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### About the Presenter

- *34 Years of experience enhancing the operations of State and Federal tax agencies*
- *Experience with enhancing collections, audit and tax accounting systems and business processes*
- *Experience with helping States develop and document the new vision and approach to implement technology*
- *Recognized expert in collections process reengineering*



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