



COURT - ORDERED DEBT COLLECTIONS

BUSINESS PROFILE

STATEWIDE COLLECTIONS BUREAU

Alameda County Central Collections
Alameda Superior
Amador Superior
Butte County Central Collections
Calaveras Superior
Colusa Superior
Contra Costa Revenue
Contra Costa Superior
Dept of Corrections and
Rehabilitation
Del Norte Tax Collector
El Dorado Revenue Recovery
Fresno Revenue Reimbursement
Fresno Superior
Glenn Superior
Humboldt Revenue Recovery
Imperial Superior
Inyo Superior
Kern County Probation
Kern County Superior
Kings Superior
Lake County Tax Collector
Lassen Superior
Los Angeles Superior
Madera County Revenue
Madera Superior
Marin County Central Collections
Marin County Enhanced Collections
Mariposa Probation
Mendocino County Collections
Merced Revenue & Reimbursement
Merced Superior
Modoc Superior
Monterey Revenue Division
Nevada Superior
Orange Probation
Orange Superior
Placer County Revenue
Plumas County Treasurer
Riverside Superior
Sacramento Revenue Recovery
San Benito Superior
San Bernardino Central Collections
San Bernardino Superior
San Diego Revenue Recovery
San Diego Superior
San Joaquin Revenue & Recovery
San Luis Obispo Probation
San Luis Obispo Superior
San Mateo Revenue
Santa Barbara Probation
Santa Barbara Superior
Santa Clara Department of Revenue
Santa Cruz Treasurer
Shasta Superior
Sonoma County Central Collections
Sonoma Superior
Stanislaus Revenue
Stanislaus Superior
Sutter Collections
Sutter Superior
Trinity Probation
Tulare Probation
Tulare Superior
Tuolumne Revenue Recovery
Ventura Superior
Yolo County Collection Services
Yuba Superior
Victims Compensation & Gov't
Claims Board

BACKGROUND

California courts handle thousands of cases each month, many of which conclude with the imposition of a monetary penalty. According to the Administrative Office of the Courts, outstanding court-ordered debt was estimated at \$7.5 billion dollars for the 2010 – 2011 Fiscal Year.

In an effort to reduce the amount of court-ordered debt owed in the state, the California Legislature allowed the Franchise Tax Board (FTB) and county superior, municipal and justice courts to form partnerships to collect court-ordered debts. FTB collects for courts that volunteer to participate in the program. FTB's Court-Ordered Debt Collections program is authorized under California Revenue and Taxation Code § 19280, and authorizes FTB to collect the debt as if it were a tax.

Court-Ordered Debt Collections is funded by the participating courts. As mandated by California Revenue and Taxation Code § 19282, FTB's administrative costs cannot exceed 15% of collections.

In 2004, the legislature made the program permanent and expanded it to accept cases from all 58 counties due to the program's continued success.

COLLECTION PROCESS

California Revenue and Taxation Code § 19280 authorizes FTB to collect certain criminal fines, penalties, forfeitures, court-appointed counsel costs, bail and restitution orders, as well as most Vehicle Code Violations. When a superior, municipal, or justice court orders an amount due for criminal offenses, the county to which it is due may refer the case to FTB for collection. The debt must be at least 90 days delinquent and at least \$100 in the aggregate.

If the debtors do not pay their debt voluntarily, the court issues a series of delinquent notices, and if necessary, pursues other collection actions – one of which may include referring the case to FTB. Franchise Tax Boards' collection process, as mandated by law, does not require FTB to obtain a judgment prior to enforcement action.

After a case is accepted, FTB first mails a Demand for Payment notice to the debtor's last known address. If the debtor does not resolve the debt within ten days, FTB then pursues monetary assets identified by FTB's automated collection system. In this effort, FTB searches through more than 220 million income records, including wage information on all California employees and interest and dividend information on all California accounts. Once assets are located, FTB administratively issues levies to identified asset sources. In addition, FTB can administratively order any person having control over funds belonging to a debtor to withhold those funds from the debtor.

Levy actions can include:

- An Order to Withhold on bank accounts such as checking, savings, IRA and Keogh
- An Earnings Withholding Order to an employer
- A Continuous Order to Withhold to a miscellaneous payor for commissions, rents and royalties
- Seizure of both real and personal property, including vacant land, cash, safe deposit boxes, and vehicles

When a levy attaches a bank account, the debtor has ten days to pay his debt, or the bank forwards the funds to FTB. When a levy attaches wages, the debtor also has at least ten days to pay voluntarily before the employer begins withholding up to 25% of the debtor's disposable income.

Money collected by FTB for the courts is deposited into the Court Collection Fund – an account created for Court-Ordered Debt Collections. This revenue, minus FTB’s administrative costs, is paid to the court, county or state fund to which the debt is owing.

ADMINISTRATIVE LEVIES

2011-2012 FISCAL YEAR COLLECTION TOTALS			
CASE INVENTORY		COLLECTION ACTIVITY	
Beginning Inventory	1,025,703	Demand Notices	1,752,776
Accepted Cases	1,247,731	Installment Agreements	51,981
Withdrawn Cases	53,797	Bank Levies	204,477
Returned Cases	605,701	Wage Levies	989,455
Ending Inventory	1,613,936	Total Collection Activities	2,998,728
		Total Collected	\$93,462,260

WORKLOAD IMPACTS

Courts with a large number of case referrals could experience an increase in telephone calls and in-office visits from debtors – particularly during the initial payment demand and levy phase. To address these workload shifts, FTB can control the flow of payment demands and levies, and decrease the volume of mailings when a court’s resources are overwhelmed. In turn, courts should realign resources and ensure that a sufficient number of staff is available to meet the increased number of debtor contacts. This close coordination between FTB and the courts ensures that due process requirements are met by providing rapid responses to debtor claims of financial hardship or account balance error.

CASE MANAGEMENT

The referring courts are the owners of the delinquent accounts receivable items referred to FTB. Throughout the collection process, the courts retain management responsibility for all cases referred to FTB. All debtor disputes regarding amounts owed or complaints about aspects of the case are referred to the referring court. FTB does not compute statutory interest nor enter into agreements, which may compromise the liability of the case. While FTB chooses the best collection remedy in each case, either the court or FTB can stay or stop action on a case at any time.