



Board Agenda Item 27

DATE: September 26, 2017

TO: Board of Supervisors

SUBMITTED BY: Oscar J. Garcia, CPA
Auditor-Controller/Treasurer-Tax Collector

SUBJECT: Agreement with the California Franchise Tax Board (FTB) to participate in the Court-Ordered Debt Collection Program

RECOMMENDED ACTION(S):

Approve and authorize the chairman to execute an Agreement with the California Franchise Tax Board for participation in the Court-Ordered Debt Collection Program, effective October 1, 2017 through September 30, 2020.

The recommended Agreement will continue collection services provided by the Franchise Tax Board (FTB) for unpaid court-ordered fines, fees, forfeitures, penalties and assessments. Over the past three fiscal years, the FTB has remitted to the County \$1,140,573, which is the net balance due to the County after FTB's fee was applied for its collection efforts. The FTB charges up to 15 percent of the total amount collected.

ALTERNATIVE ACTION(S):

Your Board could opt not to utilize the FTB Court-Ordered Debt (COD) collection program, which would result in lower revenue collections on court-ordered debt. By not participating in the FTB COD program, the County jeopardizes its recognition as a county maintaining a comprehensive collection program as described in Penal Code section 1463.007, and thereby jeopardizing recovery of administrative costs incurred by the Revenue Collections Unit (RCU) in the collection of court-ordered debts.

FISCAL IMPACT:

The FTB is allowed to recover the related cost of this program, not to exceed 15% of the revenue collected on behalf of the County. The County has received from FTB's collections through this program a total of \$1,140,573 for fiscal years 2014-15, 2015-16 and 2016-17.

DISCUSSION:

Since 2002, the County has participated in the State's Court-Ordered Debt Collection Program. This program allows the FTB to collect court-ordered debts for local governments, as authorized by California Revenue and Taxation Code section 19280. Participation in the program enhances collection efforts of the RCU unit of the Auditor-Controller/Treasurer-Tax Collector (ACTTC) as a comprehensive collection program performed by the County. Per Penal Code section 1463.007, participation in the FTB COD collections program is one of the components utilized in determining fees, fines, forfeitures, penalties and assessments. Participation in the FTB COD program is voluntary.

All cases assigned to the FTB have already had a minimum of three monthly billing statements, several phone

calls and several letters including a final notice informing them that if they fail to contact the ACTTC their case will be submitted to the FTB program. All referrals must be \$100 or more as required by Revenue and Taxation Code section 19280, which is the same threshold as the prior Agreement. Revenues collected by the FTB, less administrative costs, will be transferred from the State Controller's Office to the County at least once each month.

The State currently requires the completion of an annual financial report on collection activities by the Superior Court and the County as per Penal Code section 1463.010. Collections through the FTB COD program are reported separately on this annual report. If the County did not utilize the FTB COD collections program, the County would not report any performance measures with respect to this program.

Participation in the FTB COD program is a Judicial Council approved collections best practice.

The term of this Agreement is effective from October 1, 2017 through September 30, 2020.

REFERENCE MATERIAL:

BAI #24, August 30, 2011
BAI #19, September 30, 2014

ATTACHMENTS INCLUDED AND/OR ON FILE:

On file with Clerk - Agreement with Franchise Tax Board (C1700082)

CAO ANALYST:

Juan Lopez