



Reducing the Size of Government

Wisconsin's State Debt Collection Program directly competes with Private Sector.

Background: in 2009, Governor Doyle created the State Debt Collection Program (SDC) which gave the Wisconsin Department of Revenue (DOR) authority to act as the collection agency for debts owed to state, county, or local government agencies. Under the law, state agencies are mandated to use the SDC and Courts, the legislature, certain authorities, and local units of governments may enter into agreements but are not required.

Issue: The SDC is additional and unnecessary government which not only competes with private sector businesses, but has been given additional tools with fewer regulations to do so. Prior to 2009, private sector debt collection agencies contracted with state and local government to collect debt and were, and still are, subject to the federal Fair Debt Collection Practices Act in addition to numerous other federal and state consumer protection laws. SDC was created in 2009 and mandated that all state agencies utilize the service, forcing them to cut ties with the private debt collectors with which they had contracted.

SDC roughly employs 15 individuals, with 11 more requested in the 2015-2017 budget, at the cost of approximately \$3 million annually. Some would argue that SDC pays for itself by the amount of debt it recovers. However, the private sector could recover that same debt, and arguably more, if provided the same tools *without* adding more government jobs and increasing the size of government. In addition, adding private sector jobs has the benefit of increasing employer profits which in turn adds tax revenue to the state and benefits the economy as a whole.

Suggested change: On behalf of the 65 licensed and regulated private debt collection agencies in Wisconsin, we are asking for a level playing field by allowing private businesses to have the same tools and regulations as the state SDC in collecting government debt. If the Wisconsin Government is going to compete with private sector, we are asking for a level playing field by allowing private sector to comply with the same regulations as SDC. There are dozens of state laws which provide SDC an advantage over private sector, however we are seeking equalization on the most egregious components as follows:

Founded in 2016 as a merger of the Illinois, Minnesota and Wisconsin affiliates of ACA International, the Association of Credit and Collection Professionals, GLCCA is the largest regional unit of credit and collection professionals in the United States. GLCCA provides a platform for its members to unite and better the collection industry. Its members include: third-party collection agencies, creditors, asset buyers, attorneys, and vendor associates.



1. *Fees*--Allow private sector debt collectors to charge the same fee as SDC for collection of government debt. The fee under SDC is the greater of \$35 or 15% of the amount certified for collection. In contrast, the private sector is not allowed to charge a fee for collection of government debt.

2. *Weighting of Debt*—Allow priority for the collection of all government debt, regardless of whether it was collected by SDC or private sector. Current law allows SDC the ability to deduct outstanding government debt owed by an individual or business (setoff) from tax refunds. After the setoff, if there are remaining funds over \$10, the funds are applied to other outstanding debts in the statutorily specified order below. This situation allows SDC to trump private sector for liens on the same government debt.
 - 1) Child support, family support, or maintenance owed
 - 2) State agency debt and debt owed to the courts, the legislature, or an authority, **only if collected by SDC.**
 - 3) Debt owed to local units of government, **only if collected by SDC.**
 - 4) Agency debt, other than child support, etc.
 - 5) Child support or spousal support obligations due in another state.
 - 6) Municipality or County debt.
 - 7) Federal tax obligations
 - 8) Tribal obligations collected pursuant to an agreement under s. 73.03 (52n).
 - 9) Tax and nontax obligations of other states

3. *Garnishments*--Allow private sector the ability to garnish wages or bank accounts for an uncollected debt in the same way as SDC. Current law allows SDC to attach a garnishment order on earned wages, and unearned wages such as bank accounts, without obtaining a judgment in small claims or circuit court no matter the origin of the debt. In addition, SDC does not have to pay the required garnishment fee nor do they have to abide by the 13 week garnishment timeframe. In contrast, the private sector must first work with an attorney to file a judgment in circuit court for non-court government debts, or in the case of municipal court debts, they have to file a transcript of that judgment in circuit court prior to commencing garnishment. They are also required to pay all court costs, including hiring an attorney and a fee of \$107.50 to commence a garnishment and must go through this process every 13 weeks to renew garnishments.

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Why Private Debt Collection is a Better Option for Wisconsin Residents

- Utilizing private sector expertise eliminates public sector redundancies, reduces the size of state government and taxpayer dollars needed to maintain staff, and grows private sector jobs that benefit the economy.
- Wisconsin's debt collection agencies are vital to Wisconsin's Economy. It has been estimated that these agencies recover \$521 million annually that was owed to small businesses and others in the State. Wisconsin's debt collection agencies employ 2,560 directly and indirectly with payroll exceeding \$141 million. Together, these businesses pay state and local taxes on \$15.8 million. (Source: Ernst & Young, 2014 – www.acainternational.org/impact)
- A competitive marketplace for consumer debt collection encourages better performance standards and holds agencies accountable by their clients.
- Private third party debt collection agencies employ experienced, trained, innovative and efficient debt collectors committed to maintaining high customer service standards.
- Wisconsin's debt collection agencies remain compliant with a myriad of federal, state and local laws and regulations governing communication with consumers. They are under the direct purview of the Wisconsin Legislature, Wisconsin Department of Financial Institutions, Wisconsin's Attorney General, U.S. Congress, Federal Trade Commission, Federal Communications Commission and the Consumer Financial Protection Bureau.

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