
FISCAL ISSUE BRIEF



Minnesota Collection Enterprise

Senate Office of Fiscal Policy Analysis

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Questions

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Background

A report issued to the legislature in 1993 identified the need for the state to better manage its efforts to collect its account receivables. One of the recommendations contained in this report was the establishment of a state collection service to help agencies collect their accounts receivables. In 1994, a collection service known as the Minnesota Collection Enterprise was created. MCE became fully operational in July 1995, with staff located in Ely and St. Paul.

MCE was originally under the jurisdiction of the Department of Finance. The Department of Finance in turn contracted with the Department of Revenue to manage the implementation of MCE. In 1996, the legislature, following a recommendation from the Department of Finance, permanently placed MCE with the Department of Revenue.

A comparison of the efficiency and effectiveness of MCE and private collection agencies was conducted by the Department of Finance. The report, which was released to the legislature in February 1997, gave MCE a higher efficiency rating on receivables for child support, taxes and chemical dependency treatment services. Because of the favorable performance of MCE, the legislature during the 1997 session enacted a law that requires all agencies to refer their uncollected debt to MCE after 120 days, with minor exceptions.

Senate Office of Fiscal Policy Analysis Fiscal Issue Briefs are intended to offer background information on new or pending issues in the budgeting process. Issue Briefs are divided into the various budget categories including General Budget Information, Health and Family Services, Economic Development, Corrections, K-12, Higher Education, Early Childhood Education, Environment, Transportation, and State Government.

The new law and MCE's demonstrated success in collecting government debt has increased case referrals. MCE had a capacity in FY 1998 to handle about 40,000 cases. During FY 1999 over 50,000 cases are expected with continued growth in FY 2000. Because of this growth, MCE had the need for additional staff time and an upgrade of the computer operating system. During the 1998 session MCE was appropriated an additional \$731,000 for FY 1999 for these purposes. The additional collection capacity is estimated to bring in an additional \$1,000,000 in revenue to the general fund.

Production and Inventory	FY 1996	FY 1997	FY 1998	Projected FY 1999
Cases referred	25,000	21,000	22,800	50-55,000
Average monthly case inventory	14,968	10,452	900	N/A
Cases closed	22,652	17,144	12-14,000*	35-40,000
Total \$ referred (\$ millions)	18.3	11.5	29.7	N/A
Average \$ inventory (\$ millions)	18.7	16.3	N/A	N/A
Amount collected (\$ millions)	10.5	10.2	6.0	12.0-13.0

* estimated

Data as of 6/22/98

Performance

The average monthly inventory has dropped off dramatically during FY 1998 because child support has not referred any cases since September 1997 due to a computer conversion, there have been no case referrals from the Department of Economic Security, Department of Revenue tax cases are relatively current, an electronic referral process within the Department of Human Services for benefit overpayments is still being worked on and not expected to be completed for about a year, and court fines are only starting to come in. This reduced inventory in conjunction with a recent computer conversion for MCE has impacted productivity.

It is expected that FY 1999 will bring about a dramatic change with more than 50,000 cases being referred. One reason for this increased volume will be student loan cases estimated at \$1 million. Other factors include: electronic referrals from child support beginning July 12, additional court cases as more courts are added, increased Department of Human Services chemical dependency cases and client overpayments, and increased referrals from smaller clients.

The total number of clients referring debt to MCE now totals 28 with a total of 105 different types of debt collected. The table on the next page highlights the major referrals by agency and debt type.

Case Referrals By Debt Type & Agency (major referrals listed only)	FY 1997	FY 1998	Projected FY 1999
Taxes*	7,800	18	minimal
Child Support*	7,708	2,200	7,500
Student Loans*			
HESO, MnSCSU(Perkins), Mankato	400	6,890	15500
Department of Economic Security	0	0	10,000
Court Fines			
St. Louis County		12,000	4,000
Ramsey County		1,600	4,000
Stearns Country		0	4,000
Department of Human Services			
Chemical Dependency		0	3,000
Regional Treatment*		104	500
Benefit Recovery*		94	400
Client Overpayment		0	500
Department of Natural Resources		16	200
Veterans Home Board		75	300
Pollution Control Agency		907	500
Department of Administration*		0	100
Department of Agriculture*		20	100
Department of Military Affairs		0	100

* General Fund Collections

Data as 6/22/98

MCE was recently awarded the 1998 Cooperative Public Service Award for outstanding examples of innovative intergovernmental efforts. MCE was selected out of 25 applicants by Partnership Minnesota which was formed in 1988 to promote enhanced cooperation among federal, state, and local agencies, for the purpose of providing better service to the citizens of Minnesota.