

It is important to have an Agency-wide¹ system that will provide increased collection functionality, establish electronic transmission of information between State collection agencies, increase employee productivity and allow the re-deployment of staff to more intensive collection efforts while automation handles the more routine collection activities. This FSR proposes to develop an enterprise level collection system capable of serving EDD and the collection needs of the DIR in the future. The proposed system will be designed to provide an integrated and automated solution that will use up-to-date collection account management, data storage and data retrieval technologies to maximize the efficiency and effectiveness of Collection Division (CD) operations.

The system shall be capable of supporting and collection operations for the Department of Industrial Relations (DIR) collection cases that are currently being handled by the Franchise Tax Board.

In order to enable this outcome, the Labor and Workforce Development Agency will sponsor and introduced legislation to change the statues to transfer the responsibilities for collection of DIR liabilities under SB 1490 and SB 996 from FTB to EDD. The effective date of the statues will be after ACES is fully operational.

Business Background of FTB's Collection of Delinquent Monies Owed to the Department of Industrial Relations (DIR)

The Department of Industrial Relations (DIR) administers labor standards and health and safety laws. In addition, DIR is required to identify employers with a high rate of industrial injuries and work-related illness and is responsible for investigating labor law violations, issuing citations and obtaining judgments (court validation of liability due). Under the authority of the California Labor Code, the DIR enforces workplace health and safety standards by obtaining judgments to collect fees, delinquent wages and penalties.

The FTB and the DIR entered into a partnership in 1994. A joint Enforcement Strike Force was created with the passage of Senate Bill 1490 (Chapter 1117, Statutes of 1994). The purpose of this task force was to address problems with the underground economy specifically related to non-compliance of the Labor Code. Part of this effort culminated in DIR and FTB entering into an agreement authorizing FTB to use its administrative collection remedies to collect delinquent monies owed to DIR as a result of unsatisfied judgments pursuant to the Labor

¹ Labor and Workforce Development Agency – A collection system that will handle both EDD and DIR collection cases

Code. As a result, FTB established the Industrial Health and Safety (IHS) Collection 1490 Program.

Subsequently, in 1995, Senate Bill 996 (Chapter 33, Statutes of 1995) mandated that the DIR levy delinquent assessments and penalties on employers. This bill further expanded the partnership between FTB and DIR, adding the 996 Program. Both of these programs are referred to as the IHS Program. As in the 1490 Program, FTB uses its administrative remedies to collect delinquencies owed to DIR.

Revenue generated by FTB's collection efforts for cases falling under the SB 1490 program is distributed to three different recipients by the DIR. Monies collected on cases where the employee is seeking unpaid back wages from their employer are returned to the employee. In the SB 1490 cases where an employer fails to have valid workers' compensation insurance, the revenue collected is placed in the Uninsured Employers Fund. Other revenue generated pursuant to other labor law violations are deposited into the State General Fund. Revenue generated from collection activities on the SB 996 program is distributed by DIR into the California Occupational Safety and Health Targeted Inspection and Consultation Fund.

Current Franchise Tax Board (DIR Collections)

System History

The IHS program currently resides on the Consolidated Debt Collection (CDC) system at FTB. Three other Non-Tax Debt collection programs formerly resided on the CDC. They were: Child Support Collections, Court Ordered Debt, and Vehicle Registration Collections Dishonored Checks. All of these programs have migrated to more advanced systems. The HIS program is the only one left on the CDC and is at risk due to a lack of support and resources. The FTB prepared a Feasibility Study Report (FSR) in May 2002 to develop and implement an automated collection system. However, there was insufficient budget to move forward with the FSR.

Current Case Processing

The system receives case information from DIR through a non-electronic method. (Paper files/3.5 Diskettes) Cases received on paper are manually input into the system. FTB then combines all cases for each debtor and establishes an account at FTB. The CDC enables the staff to manually generate a Demand for Payment notice on each case. The demand notice allows the debtor 10 days to respond. If a debtor contacts FTB, FTB may negotiate payment agreements. During the 10-day period, if a collector has located a social security number, the CDC system searches FTB data files for asset information. (Note: Some IHS

accounts are corporations, a different identification number is used called the Federal Employer Identification Number (FEIN). There is no functionality to match assets on a corporate account.) If after 10 days, the debtor does not respond to the demand notice, the IHS staff issues a levy against accounts held at financial institutions. The CDC system does not provide the functionality to issue wage and miscellaneous levies.

Collections Objectives

- Automate the sharing of data from agencies (i.e. EDD, DIR, FTB, BOE) to locate assets and take appropriate collection actions.
- Provide automated collection actions to recover more revenue and provide better fiscal management of EDD and DIR receivable inventory.
- Directly update EDD collection information on TAS and receive automatic account updates from TAS (DIR collection information will not reside on TAS).
- Generate customized and standard collection notices for both EDD and DIR liabilities tailored to the business activity and employer model.
- Improve collection of monies collected on DIR cases.
- Identify all EDD collection activities to report back to DIR.
- Ensure data compatibility between EDD, DIR and other agencies and stakeholders