



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

NICK KHOURI
STATE TREASURER

November 27, 2018

Mr. John J. Walsh
Director, State Budget Office
111 S. Capitol Avenue
Lansing, MI 48933

Dear Mr. Walsh:

Sections 903(3) and 930(2) of Public Act 107 of 2017 require that the Department of Treasury report by November 30, 2018 on the collection of unpaid taxes and other accounts due to the State of Michigan for the immediately preceding fiscal year.

Section 903 authorizes the Department of Treasury to contract with private collection agencies to collect unpaid taxes and other accounts due the State of Michigan. The main contractor to the Michigan Department of Treasury for collection services is GC Services L.P. (GC). GC collects tax assessments and state agency debts, including Driver Responsibility Fees. The costs associated with the GC contract are stipulated in contract #071B0200101 and includes both collection incentive fees and reimbursement of certain operating expenses. GC is paid a collection incentive fee of 11.61% on actual tax and state agency debt collections and 8.13% on actual collections of certain Driver Responsibility Fees. Attached is Chart A, which provides a breakdown of the tax debts collected by GC by tax type and the state agency debts collected for each state agency.

In addition to the contract with GC, the Department of Attorney General contracts with private attorneys to perform collection services on behalf of the Attorney General and the Michigan Department of Treasury. These private attorneys, who are appointed as Special Attorneys General, are paid a commission based on actual collections and reimbursed for certain costs. Below is a schedule detailing the contracted entities, amounts collected, and the costs of collection.

Section 903

<u>CONTRACTOR</u>	<u>TYPE OF DEBT</u>	FY 2018 <u>COMMISSION COLLECTIONS</u>	<u>COST</u>
GC Services L.P.	TAX	\$121,572,864.52	\$20,000,374.21
	NON-TAX	33,912,512.56	6,473,489.99
Special Attorneys General	TAX	9,194.85	1,850.22
	NON-TAX	.00	.00
GRAND TOTAL		\$155,494,571.93	\$26,475,714.42

Section 930 requires the Department of Treasury to provide accounts receivable collection services for other principal executive departments and state agencies pursuant to Public Act 375 of 1927, as amended (Michigan Compiled Laws 14.131 to 14.134). Section 930 also provides that the Department of Treasury report on the principal executive departments and state agencies served, funds collected, and the costs of collection. Attached is Chart B which details the amounts collected by the Department of Treasury for

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each state department or agency and the costs of collection. The collection amounts in Chart B do not include the amounts collected by GC indicated in Chart A. Below is a summary of the amounts collected and the costs of collection for both GC and the Michigan Department of Treasury on behalf of the state departments and agencies.

Section 930

	<u>FY 2018 COLLECTIONS</u>	<u>COST</u>
GC Services L.P.	\$33,912,512.56	\$6,473,489.99
Department of Treasury	34,021,966.42	1,185,964.99
Special Attorneys General	.00	.00
GRAND TOTAL	\$67,934,478.98	\$7,659,454.98

If you or your staff desire additional information, please contact Lynn Boyes, Director of the Collection Services Bureau at (517) 636-5300.

Sincerely,



Ann E. Good
Deputy State Treasurer

Enclosures

cc: Nick Khouri, State Treasurer
Lynn Boyes, Director, Collection Services Bureau
Bureau of Budget and IT Management

CHART A

COLLECTION SERVICES CONTRACTOR: GC SERVICES L.P.

FISCAL YEAR ENDED 9/30/2018

<u>TAX DEBT</u>	<u>COMMISSION COLLECTIONS</u>
INDIVIDUAL INCOME	\$60,881,265.76
SALES	22,955,067.66
SINGLE BUSINESS	501,271.14
WITHHOLDING	14,137,241.38
USE	3,501,669.91
MOTOR FUEL	870,643.64
TOBACCO	164,832.44
MICHIGAN BUSINESS RETALIATORY	21,727.14
HOMESTEAD PROPERTY	314,123.71
MOTOR CARRIER	790.00
CAR LOANING	38,618.92
CONVENTION FACILITIES	50,662.15
ENVIRN PROTECT REG	50,273.51
PUBLIC UTILITIES	0.00
ACCOUNTS RECEIVABLE	183.31
REAL ESTATE TRANSFER	243.99
DETROIT INCOME TAX	3,768,058.62
DETROIT CORPORATE TAX	120,506.68
DETROIT WITHHOLDING TAX	32,079.94
INTANGIBLES	0.00
UNCLAIMED BOTTLE DEPOSIT	885.00
MICHIGAN BUSINESS	9,074,462.19
HICA	69,353.21
CORPORATE INCOME	4,177,581.30
CORPORATE INCOME RETALIATORY	77,746.44
FLOW THRU WITHHOLDING	763,576.48
ESTATE	0.00
TOTAL TAX	<u>\$121,572,864.52</u>

<u>NON-TAX DEBT</u>	<u>COMMISSION COLLECTIONS</u>
AGRICULTURE	\$1,886.25
ATTORNEY GENERAL	0.00
CORRECTIONS	1,009,720.50
EDUCATION	4,500.00
ENVIRONMENTAL QUALITY	30,995.45
HOUSING & DEVELOPMENT AUTHORITY	194,609.73
HEALTH & HUMAN SERVICES	2,863,143.09
INSURANCE & FINANCIAL SERVICES	1,000.00
LICENSING & REGULATORY AFFAIRS	436,128.22

LOTTERY	36,012.96
MICHIGAN ECONOMIC DEVELOPMENT CORP	81,761.39
MILITARY & VETERAN AFFAIRS	0.00
NATURAL RESOURCES	10,511.40
STATE	23,869,712.99
STATE EMPLOYER	394,368.21
TECHNOLOGY, MANAGEMENT & BUDGET	498,374.84
TRANSPORTATION	43,966.57
TREASURY	1,302,504.34
CENTRAL MICHIGAN UNIVERSITY	362,879.38
EASTERN MICHIGAN UNIVERSITY	383,637.06
FERRIS STATE UNIVERSITY	511,701.66
GRAND VALLEY STATE UNIVERSITY	240,810.28
LAKE SUPERIOR STATE UNIVERSITY	25,768.87
MICHIGAN TECHNOLOGICAL UNIVERSITY	20,810.89
NORTHERN MICHIGAN UNIVERSITY	162,690.91
OAKLAND UNIVERSITY	414,127.20
SAGINAW VALLEY STATE UNIVERSITY	698.00
5th DISTRICT COURT	34,948.36
37C DISTRICT COURT	102,541.66
37W DISTRICT COURT	682,121.24
42-1 DISTRICT COURT	15,560.19
42-2 DISTRICT COURT	40,152.17
43A DISTRICT COURT	124,795.76
50 DISTRICT COURT	3,313.45
54A DISTRICT COURT	6,759.54
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TOTAL NON-TAX	\$33,912,512.56

**CHART B
DEPARTMENT OF TREASURY'S
STATE AGENCY COLLECTIONS
FISCAL YEAR ENDED 9/30/2018**

AGENCY	COLLECTIONS	COSTS
AGRICULTURE	\$3,489.00	\$265.97
ATTORNEY GENERAL	\$0.00	\$0.00
CORRECTIONS	\$548,286.38	\$77,091.64
EDUCATION	\$17,825.00	\$1,104.66
ENVIRONMENTAL QUALITY	\$6,101.38	\$1,835.59
HOUSING & DEVELOPMENT AUTH	\$181,614.87	\$18,615.95
HEALTH & HUMAN SERVICES	\$1,291,814.87	\$205,591.23
INSURANCE & FINANCIAL SERVICES	\$928.47	\$95.42
LICENSING & REGULATORY AFFAIRS	\$75,599.36	\$25,320.76
LOTTERY	\$20,888.03	\$2,815.51
MICHIGAN ECONOMIC DEV CORP	\$11,912.77	\$4,635.09
MILITARY & VETERAN AFFAIRS	\$0.00	\$0.00
NATURAL RESOURCES	\$0.00	\$520.11
STATE	\$28,113,559.39	\$464,463.81
STATE EMPLOYER	\$81,920.53	\$0.00
TECHNOLOGY, MGMT & BUDGET	\$65,151.10	\$27,883.79
TRANSPORTATION	\$10,490.25	\$2,694.57
TREASURY	\$1,092,031.29	\$74,271.57
CENTRAL MICHIGAN UNIVERSITY	\$303,720.07	\$32,983.97
EASTERN MICHIGAN UNIVERSITY	\$574,311.32	\$47,400.19
FERRIS STATE UNIVERSITY	\$379,862.91	\$44,115.45
GRAND VALLEY STATE UNIVERSITY	\$170,925.92	\$20,373.09
LAKE SUPERIOR STATE UNIVERSITY	\$47,388.70	\$3,619.91
MICHIGAN TECHNOLOGICAL UNIVERSITY	\$8,804.08	\$1,465.38
NORTHERN MICHIGAN UNIVERSITY	\$123,162.85	\$14,144.31
OAKLAND UNIVERSITY	\$402,153.45	\$40,390.33
SAGINAW VALLEY STATE UNIVERSITY	\$6,739.23	\$368.00
5th DISTRICT COURT	\$11,418.35	\$2,294.27
37C DISTRICT COURT	\$59,954.78	\$8,040.48
37W DISTRICT COURT	\$353,283.07	\$51,232.78
42-1 DISTRICT COURT	\$4,839.26	\$1,009.38
42-2 DISTRICT COURT	\$6,329.31	\$2,299.95
43A DISTRICT COURT	\$40,418.28	\$8,174.95
50th DISTRICT COURT	\$4,838.93	\$403.39
54A DISTRICT COURT	\$2,203.22	\$443.49
TOTAL	\$34,021,966.42	\$1,185,964.99

NOTE: The collections indicated above are the amounts collected by the Department of Treasury's Collection Services Bureau on behalf of the state agencies and do not include amounts collected by GC Services L.P. These figures may include adjustments, credits, or refunds. Adjustments, credits, or refunds may include collection amounts from a prior fiscal year. The costs indicated above reflect the overhead expense of the Collection Services Bureau on all commissionable collections and non-commissionable Driver Responsibility Fee (DRF) collections.