



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

RICK SNYDER  
GOVERNOR

NICK KHOURI  
STATE TREASURER

November 29, 2017

Ms. Mary Ann Cleary, Director  
House Fiscal Agency  
Fourth Floor, North Tower, House Office Building  
124 N. Capitol Avenue  
P. O. Box 30014  
Lansing, MI 48909

Dear Ms. Cleary:

Sections 903(3) and 930(2) of Public Act 268 of 2016 require that the Department of Treasury report by November 30, 2017 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 2017 <u>COMMISSION COLLECTIONS</u>	<u>COST</u>
GC Services L.P.	TAX	\$120,234,131.93	\$19,290,540.20
	NON-TAX	48,799,530.67	9,605,346.08
Special Attorneys General	TAX	10,000.00	2,013.50
	NON-TAX	.00	.00
<b>GRAND TOTAL</b>		<b>\$169,043,662.60</b>	<b>\$28,897,899.78</b>

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

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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 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 2017</u> <u>COLLECTIONS</u>	<u>COST</u>
GC Services L.P.	\$48,799,530.67	\$9,605,346.08
Department of Treasury	51,976,274.62	1,529,451.55
Special Attorneys General	.00	.00
<b>GRAND TOTAL</b>	<b>\$100,775,805.29</b>	<b>\$11,134,797.63</b>

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

Sincerely,



Ann E. Good  
Deputy State Treasurer

Enclosures

cc: Nick Khouri, State Treasurer  
Lynn Boyes, Director, Office of Collections  
Cindy Peruchietti, Director, Bureau of Budget and IT Management