



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

November 23, 2020

Mr. Chris Kolb
Director, State Budget Office
111 S. Capitol Avenue
Lansing, MI 48933

Dear Mr. Kolb:

Sections 903(3) and 930(2) of Public Act 56 of 2019 require that the Department of Treasury report by November 30, 2020 on the collection of unpaid taxes and other accounts due to the State of Michigan for the immediately preceding fiscal year.

SECTION 903

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. Two contractors provided collection services for the Michigan Department of Treasury - GC Services L.P. (GC) and Harris & Harris Ltd. (H&H). Both contractors collected tax assessments and state agency debts.

The costs associated are stipulated in the GC contract (#180000001279) and H&H contract (#180000001280). They include both collection incentive fees and reimbursement of certain operating expenses. Both contractors were each paid a collection incentive fee of 8.97% on actual tax and state agency debt collections.

Attached is Chart A, which provides a breakdown of the tax debts collected by GC and H&H by tax type and the state agency debts collected for each state agency. In Fiscal Year 2020, there were no collections made by private attorneys on behalf of the Attorney General and the Michigan Department of Treasury.

Below is a schedule detailing the contracted entity, amounts collected, and the costs of collection.

| <u>CONTRACTOR</u> | <u>TYPE OF DEBT</u> | <u>FY 2020</u> | |
|----------------------|---------------------|-------------------------------|-----------------------|
| | | <u>COMMISSION COLLECTIONS</u> | <u>COST</u> |
| GC Services L.P. | TAX | \$49,964,729.76 | \$4,759,185.52 |
| | NON-TAX | \$5,586,235.42 | \$565,656.55 |
| Harris & Harris Ltd. | TAX | \$1,452,308.55 | \$122,720.07 |
| | NON-TAX | \$274,805.70 | \$23,221.09 |
| GRAND TOTAL | | \$57,278,079.43 | \$5,470,783.23 |

SECTION 930

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

| | <u>FY 2020</u> <u>COLLECTIONS</u> | <u>COST</u> |
|------------------------|--------------------------------------|-----------------------|
| GC Services L.P. | \$5,586,235.42 | \$1,422,672.47 |
| Harris & Harris Ltd. | \$274,805.70 | \$23,221.09 |
| Department of Treasury | \$8,520,638.40 | \$713,142.43 |
| GRAND TOTAL | \$14,381,679.52 | \$2,159,035.99 |

Mr. Chris Kolb, Director
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If you or your staff desire additional information, please contact Kavita Kale, Director of the Collection Services Bureau at (517) 636-5300.

Sincerely,

Ann E. Good
Deputy State Treasurer

Enclosures

cc: Rachael Eubanks, State Treasurer
Kavita Kale, Director, Collection Services Bureau
Ken Osborne, Treasury Budget Director