



ARIZONA STATE SENATE
Forty-ninth Legislature, First Regular Session

PROGRAM PRESENTATION
Financial Sanctions Collections Improvement

Background

The Arizona Supreme Court exercises administrative supervision over all of the courts of the state through the Administrative Office of the Courts (AOC), including establishing procedures for applying payments to financial obligations in the limited jurisdiction courts.

Fines, Fees and Restitution Enforcement (FARE) Program

Most payments are applied first to the offender's payment plan in scheduled payment due date order and then to the offender's obligations not associated with a payment plan. The payments are applied in a specific order with any FARE fees following collection of restitution and the time payment fee. The FARE fee is any fee established by administrative order of the Arizona Supreme Court designated to cover a cost for services provided to enhance enforcement of court orders. The Court Services Division houses the FARE collections program, which provides automated collections services to individual courts.

FARE is voluntary and includes services such as notice-serving, skip-tracing, payments by Internet or interactive voice response (IVR) in both English and Spanish, and referrals to intercept state tax refunds and lottery winnings, as well as providing motor vehicle registration holds. Special collections services are also offered for fines and fees that are more than 55 days past due.

FARE services begin from the date the vendor receives the case information. A courtesy notice is sent to the defendant informing him or her of the fine or fee amount and payment options. If the defendant fails to pay the fines or appear in court, the vendor sends two additional notices encouraging compliance. The vendor charges AOC a fee for each item submitted based on the service and the volume of transactions, and AOC adds the general service fee to the fine. When fines are not collected within 55 days, each court can choose to send a case to special collections. According to the 2006 Office of the Auditor General (OAG) performance audit, a 16 percent fee is added to each case sent to special collections and the fee is added to the amount of the fine, which is retained by the vendor upon collection. An additional 3 percent special collections fee is added to the fine, which AOC retains upon collection. These special collection fees are used to offset operational costs incurred by FARE.

In 2007, the Arizona Supreme Court established the FARE Advisory Committee to review and make recommendations on business rules, policies and procedures relevant to the growth, integrity and statewide implementation of collection programs. The Committee is responsible for evaluating the effectiveness of existing collection programs and evaluating operational and overall program goal effectiveness of collection programs.

Fiscal Information

In FY 2006-2007, almost \$30.2 million was collected in outstanding fines, fees and restitution. Since inception of the program in FY 2003-2004, nearly \$74 million has been recovered. More than 90 courts in 11 counties participate in the program. Bilingual web-based and telephone credit card payment began in 2004 and has collected more than \$27.9 million. Out-of-state and out-of-county defendants make a significant portion of these payments.

Federal Tax Intercept

Under current law, the federal government is authorized to intercept tax refunds for child support debts, state and federal tax debt and federal agency debt, but not for the collection of court ordered fines, fees and restitution. On May 3, 2007, Oregon Senator Gordon Smith introduced S.1287, which extends the powers of the current Federal Income Tax Intercept Program. S.1287 amends the Internal Revenue Code of 1986 to allow an offset against income tax refunds to pay for state judicial debts that are past due.

In 2008, S.C.M. 1004 was passed and transmitted to the Secretary of State to distribute to the President of the U.S. Senate, the Speaker of the U.S. House of Representatives and each member of Congress from Arizona, urging Congress to enact legislation enabling the U.S. Department of Treasury to intercept federal tax refunds to pay overdue victim restitution and other financial obligations ordered by state and local courts.

Fiscal Information

The AOC estimates that Arizona courts currently possess between \$500 million and \$1 billion in victim restitution, fine fees and surcharges that are past due.

Attachments

S.C.M. 1004

Prepared by Senate Research
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