

PUBLIC HEARING

ON

Bill 22-204, “Traffic and Parking Ticket Penalty Amendment Act of 2017”

Bill 22-237, “Parking Ticket Waiver Act of 2017”

Bill 22-410, “Parking and Moving Violation Amnesty Act of 2017”

Bill 22-488 “Ticket Payment Plan Amendment Act of 2017”

Committees on Transportation and the Environment and Finance and Revenue

Chairperson Mary Cheh

Chairperson Jack Evans

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John A. Wilson Building

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Testimony of

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Good morning, Chairperson Cheh and Chairperson Evans and members of the Committees on Transportation and the Environment and Finance and Revenue. I am Jeffrey Barnette, Deputy Chief Financial Officer and Treasurer for the Government of the District of Columbia. Thank you for the opportunity to present testimony on behalf of the Central Collections Unit (CCU) which reports to the Office of Finance and Treasury (OFT). The CCU was established pursuant to the Delinquent Debt Recovery Act of 2012 and entrusted with the responsibility to collect all delinquent debts, except those excluded by law, owed to the District of Columbia and deposit these amounts in the Delinquent Debt Fund.

I will be testifying regarding the four bills introduced by Council as follows:

The “Traffic and Parking Ticket Penalty Amendment Act of 2017;”

The “Parking Ticket Waiver Act of 2017;”

The “Parking and Moving Violation Amnesty Act of 2017;” and

The “Ticket Payment Plan Amendment Act of 2017.”

As a matter of traffic or parking control policy, the OCFO takes no position. My testimony today is limited to the collection and administrative issues resulting from the bills, and the potential associated revenue impacts.

The “Traffic and Parking Ticket Penalty Amendment Act of 2017” proposes to eliminate the penalty for the failure to pay a photo infraction or a District resident parking infraction within 30 days. We believe that the removal of penalties for the offenses described in the bill will have a negative impact on the District’s ability to timely collect fines for that violation and will have a

significant impact on District revenue. I will address the overall revenue impact of all the bills at the end of my testimony.

With regard to the “Parking Ticket Waiver Act of 2017,” this bill focuses on two proposed policies. First, the bill proposes to provide a waiver for parking infractions when the registered owner of a vehicle does not receive proper notice of the infraction within two years of the issuance. The second policy change would limit the period to collect any parking infraction fines to eight years. There are some technical inconsistencies in the bill that need to be clarified, which we can discuss with you and your staff at your convenience. However, looking specifically at the waiver issue, the OCFO believes it would be extremely difficult and costly to prove receipt of notice. Regarding the statute of limitations, the CCU currently has a 15-year policy. Under this proposed bill, the District’s ability to collect existing unpaid parking tickets would be limited considerably due to the proposed truncated time period. If this bill is passed, both aspects of the bill will reduce District revenues.

The “Parking and Moving Violation Amnesty Act of 2017,” requires the DMV Director to establish an amnesty program for District residents who owe over \$1,000 for parking, standing, stopping, and pedestrian violations. The bill would establish a yearly, one-month amnesty program and during the amnesty period, residents with fines over \$1,000 would be entitled to a waiver of their late-payment penalties if they pay at least 60% of the fine balance. We have a few concerns with this bill. Because the CCU is responsible for any DMV-related collection after 90 days, this amnesty program should be handled by the CCU and not the DMV. Also, it

is unclear how the 60% payment would be applied to the original fine balance. For example, a resident who owes \$1,000 in ticket fines and \$1,000 in penalties would get amnesty on the \$1,000 in penalties if they pay \$600 towards the ticket fines. However, the bill doesn't stipulate what would happen to the \$400 balance of ticket fines. Under current policy, the CCU would request payment of the \$400 before the individual would be absolved of collection. Finally, we believe if the District were to mandate an annual amnesty period, most residents facing a fine and a penalty would wait until the amnesty period to make a payment. This would impact the collection of penalties and reduce revenues to the District.

The "Ticket Payment Plan Amendment Act of 2017" provides a person seeking to discharge \$100 or more in delinquent debt related to a moving, parking, or non-moving violation the opportunity to request a deferred payment plan. The bill also allows a CCU decision denying a payment plan to be appealed to the Office of Administrative Hearings. The Delinquent Debt Recovery Act provided the CCU latitude to collect non-tax related debts including debt related to DMV. Collections are performed using an outside collection contractor as well as internal CCU staff that focus strictly on deferred payment plans and debt settlements. From fiscal year ("FY") 2014 through fiscal year 2017, the CCU has collected gross DMV debt totaling just over \$127 million, averaging annual gross revenue of approximately \$32 million. I would like to share with you some additional information and statistical data regarding the use of payment plans and settlements which may be helpful as the Committees consider this bill.

From FY 2015 through FY 2017, we have issued 10,145 payment plans. Typically, the plans require the resident to pay an initial payment amount of 25% and the remaining balance is paid monthly, over a period of six to twelve months, or longer depending, on the amount owed and the payment that the resident can afford. Once the down payment is received and the resident signs the payment plan, the CCU updates the DMV system to allow the resident to obtain DMV services. If the resident violates the payment plan at a future date, the DMV system would then be updated to place that resident back in delinquency. However, at this stage, the resident has resolution to their immediate need for the payment plan, such as a new license or new car registration, thus, once they violate the payment plan, they are highly unlikely to complete the remainder of the payment plan. Depending on the circumstance and reasons for failure to comply with the terms of the original payment plan, the CCU offers subsequent payment plans on a case by case basis.

The CCU also has worked to assist individuals with settlements. Since the inception of the CCU, over 5,500 settlements totaling approximately \$7.5 million have been completed. Our team works with the individual to understand their financial position so that both parties can agree on a settlement amount that is fair and reasonable. In addition, the CCU works with the Mayor's Office on Returning Citizen Affairs and the DMV on the Re-entry Initiative, assisting those returning citizens pay their debts to the District. The OCFO and the CCU understand the burden of debt and want to help these individuals get a fresh start. We work with each individual and make allowances through a settlement process with the twin goals of clearing the individual of debt while carrying out the mandate of the Delinquent Debt Recovery Act.

Debt collection is a challenging operation. We recognize that debts are incurred by people across the financial spectrum of the District and we try to find the right solutions on an individual basis. Each case is unique and because of that, we believe that the Delinquent Debt Recovery Act provides the appropriate latitude for the CCU to collect the outstanding debt.

Finally, the Ticket Payment Plan Amendment Act of 2017 could lead to a large number of appeals to the Office of Administrative Hearings and the bill also doesn't stipulate what should happen with the debt status while the appeal is before the Office of Administrative Hearings. If it becomes law, we expect this bill to have a negative impact on District revenue.

As previously stated, each of these bills would have a negative impact on District revenues. The Office of Revenue Analysis has done some preliminary work on the impact of these bills that focuses just on the potential revenue reductions associated with CCU debt. They are reviewing data from DMV to determine the impact on baseline fine revenues, which are approximately \$150 million relative to the \$32 million the CCU generates. ORA's preliminary analysis of CCU revenues show that the following bills could *each* reduce CCU revenues by over \$10 million;

- the Traffic and Parking Ticket Penalty Amendment Act, Bill 22-204;
- the Parking Ticket Waiver Act, Bill 22-237; and
- the Ticket Payment Plan Amendment Act, Bill 22-488.

The final bill, the Parking and Moving Amnesty Act, Bill 22-410, could reduce CCU revenues by approximately \$1 million. These bills could also increase administrative costs at the OCFO, the DMV, and the Office of Administrative Hearings. There are overlapping impacts on

revenues from these bills, so while each bill could cost over \$10 million on its own, the passage of a subset of these bills or a combined bill may shift the impact. Also, to reiterate, these preliminary estimates do not account for impacts on the bulk of the District's fine revenue collections, which are collected by DMV.

Chairperson Cheh, Chairperson Evans, members of the Committees, this concludes my testimony. I am prepared to address any questions that you may have.