


Government of the District of Columbia
Office of the Chief Financial Officer



Jeffrey S. DeWitt
Chief Financial Officer

MEMORANDUM

TO: The Honorable Phil Mendelson
Chairman, Council of the District of Columbia

FROM: Jeffrey S. DeWitt
Chief Financial Officer 

DATE: January 28, 2020

SUBJECT: Fiscal Impact Statement – Ticket Payment Plan Amendment Act of 2020

REFERENCE: Bill 23-82, Draft Committee Print as shared with the Office of Revenue Analysis on January 27, 2020

Conclusion

Funds are not sufficient in the fiscal year 2020 through fiscal year 2023 budget and financial plan to implement the bill. The bill's implementation will reduce traffic fine revenues and increase administrative costs at three District agencies or offices. The bill will directly reduce fine revenues by approximately \$10.2 million annually. The bill will also increase costs at the Central Collections Unit (CCU), Office of Administrative Hearings (OAH), and the Department of Motor Vehicles (DMV) by a combined \$1.6 million in fiscal year 2020 and \$6.5 million over the four-year financial plan period. The bill's total impact is approximately \$11.9 million in fiscal year 2020 and \$47.5 million over the four-year financial plan period.

Background

In 2012, the District created CCU¹ within the Office of the Chief Financial Officer. CCU receives delinquent debt owed to various District agencies and works to collect that debt from the delinquent persons. DMV is one of the agencies that sends all its unpaid traffic-related fines and penalties to CCU² for assistance in the collection process.

The bill requires CCU to offer deferred payment plans to any person who owes more than \$100 in DMV-related delinquent debt. The bill limits CCU to offering payment plans not more than twice in a

¹ Delinquent Debt Recovery Act of 2012, effective September 20, 2012 (D.C. Law 19-168; D.C. Official Code § 1-350.01 et seq.).

² All unpaid fines older than ninety days are sent to CCU.

twelve-month period and prohibits CCU from terminating a plan due to a single missed payment. If a person misses a second or subsequent payment and is unable to show good cause for missed payments, CCU can terminate the payment plan and bar the person from participating in a future plan for three years. The bill allows a person to appeal a termination decision to OAH.

The bill requires any notice of infraction to affirm that the District will not issue any licenses or permits for debt over \$100³ and that the violator may be eligible for a payment plan through CCU once the debt becomes delinquent.⁴

Financial Plan Impact

Funds are not sufficient in the fiscal year 2020 through fiscal year 2023 budget and financial plan to implement the bill. CCU, which collects over \$35 million from DMV-related debt, currently offers settlement⁵ and payment plans for delinquent debt when a violator demonstrates a financial need for such a plan. For persons on payment plans, over 75 percent default, of whom many default without making any installment payments.⁶ The bill requires CCU to offer all persons with delinquent DMV debt the opportunity to enter into a payment plan. The Office of Revenue Analysis (ORA) assumes that a person who fails to pay a notice of violation to DMV within ninety days would avail her or himself of a payment plan if offered and that those persons would default on their payment plan obligations consistent with the performance of current payment plan participants. Offering additional payment plans will reduce CCU's DMV-related delinquent debt collections by approximately \$10.2 million annually.

CCU initiated, on average, 3,600 payment plans annually over the 2016-2018 time period. Under the bill, the number of payment plans that CCU or its contractors would need to actively manage will significantly increase.⁷ CCU will need additional staff to manage these plans. The current staff of sixteen employees would need to roughly double to accommodate the bill's implementation. Fifteen new employees cost approximately \$1.1 million annually. The combined impact of the revenue reduction and increased CCU expenditures will be approximately \$11.3 million annually.⁸

The bill prohibits CCU from cancelling a payment plan until a person has missed two payments and fails to provide a good reason for missing payments. Any person can appeal a CCU decision to OAH, an agency not currently involved in CCU affairs. OAH will require additional resources in order to manage the thousands of potential cases that could be appealed to the agency following the

³ This language is consistent with the District's Clean Hands law and applies to all outstanding money greater than \$100 owed to the District across multiple agencies. Clean Hands Before Receiving a License or Permit Act of 1996, effective May 11, 1996 (D.C. Law 11-118; D.C. Official Code § 47-2862).

⁴ The form must also indicate that allowing the debt to become delinquent could accrue monetary penalties.

⁵ Settlement plans typically require the person to pay 75 percent of the unpaid fines and penalties.

⁶ According to an Office of Revenue Analysis of fiscal year 2015 through fiscal year 2018 defaulted payment plans, approximately 45 percent of plans that default do so after making the initial deposit (typically 25 percent) and no other payments.

⁷ While it is difficult to predict how many individuals owing DMV debt to the CCU would avail themselves of a payment plan, ORA's analysis shows it could result in over 17,000 new payment plans.

⁸ CCU pays its operating costs from its special purpose revenue fund (D.C. Official Code § 1-350.04), so increases in its costs reduce CCU's net revenue transfer to the Local Fund.

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cancellation of payment plans. OAH requires two new administrative law judges and two legal assistants at a cost of \$522,000 in fiscal year 2020 and \$2.2 million over the four-year financial plan period.

The bill requires DMV to update handwritten and handled tickets that inform a violator that she or he will be prohibited from obtaining any permits or licenses if she or he owes more than \$100 to the District and that she or he may qualify for a payment plan through CCU should the ticket become delinquent. DMV requires one-time resources of \$95,000 in fiscal year 2020 to update the tickets.

Ticket Payment Plan Amendment Act of 2019 Implementation Costs of Bill 23-82 Fiscal Year 2020 – Fiscal Year 2023 (\$000s)					
	FY 2020	FY 2021	FY 2022	FY 2023	Total
Reduced Fine Revenues	\$10,240	\$10,240	\$10,240	\$10,240	\$40,960
CCU Resources^a	\$1,009	\$1,048	\$1,087	\$1,126	\$4,270
OAH Staffing	\$522	\$538	\$554	\$571	\$2,185
DMV Form	\$95	\$0	\$0	\$0	\$95
Total	\$11,866	\$11,826	\$11,881	\$11,937	\$47,510

Table Notes

^a CCU resources include an increase in CCU's internal staff of fifteen personnel. The costs are paid through CCU's special purpose revenue fund and are offset by CCU's collections. Any increase in CCU's costs reduces the amount CCU transfers to the Local Fund.