



CITY OF CHICAGO



COUNCIL OFFICE ON FINANCIAL ANALYSIS (COFA)

November 25, 2019

Alderman Pat Dowell
Chairman, Committee on Budget and Government Operations
121 N. LaSalle St
Chicago, IL 60602

Chairman Dowell:

In response to a request from President Pro Tempore Brendan Reilly, the City Council Office of Financial Analysis is pleased to offer the following Fiscal Impact Statement for SO2019-5547, which reformed fines for City Sticker violations.

Summary of Findings:

We believe that the Department of Finance's \$15 million cost estimate for the first year after passage of the ordinance is reasonable, and even conservative. We concur with the Department that the package of reforms will lead to a long-term increase in revenues, particularly the end of driver's license suspensions for City Sticker violations. However, we have misgivings about the amnesty program. The current program is Chicago's fourth ticket amnesty in less than twenty years, and the first amnesty to offer full forgiveness of tickets while, not requiring any ticket payments. As such, we fear it could lead some drivers to expect future relief from future amnesties.

Significant Features of SO2019-5547:

- **Reduced late fees for City Sticker tickets.** The ticket for failure to display a valid City Sticker will remain unchanged at \$250. But, the additional fine for not paying that ticket within 25 days of final determination has been lowered from \$250 to \$50.
- **Drivers licenses will no longer be suspended** for non-moving violations.
- **More generous menu of payment plans**, particularly the hardship payment plans.
- **15-day grace periods** for ticketing for failure to display a City Sticker.
- An option to request **an additional 24 hours following booting before towing and impoundment**, during which the driver can free the vehicle by paying or entering a payment plan.
- An option to purchase **four-month City Stickers**.
- A November 15 to December 15, 2019 **amnesty period**, during which motorists who either purchased valid City Stickers or divested themselves of their vehicles by October 31, 2019 may apply for forgiveness of up to three previous City Sticker tickets.

The Department of Finance (DoF) estimated the cost of the reforms would be approximately \$15 million in 2020, and revenue-neutral thereafter. According to correspondence with First Deputy Director Tina Consola, the estimates were derived as follows:

In 2018, we received \$4.2 million in payments from drivers whose licenses had been suspended for non-payment, but whose cars had not been booted. We assumed we would lose all of that revenue in the first year. These people paid us because they had to pay us to get their driver's license back. However, we are hoping that the lower barriers to payment plans and our efforts to advertise and educate people about our payment plan options will bring this to zero in the future as more people voluntarily pay us.

For ending the doubling of city sticker tickets: there were about 53,000 city sticker tickets paid where the late penalty was assessed in 2018. The penalty is being reduced by \$150. $\$150 \times 53,000 \text{ tickets} = \7.9 million . We estimated \$7.5 million loss in the first year. We are hoping additional people pay their violations with the lower barriers to payment plans and our efforts to advertise and educate people about our payment plan options will bring this to zero in the future.

We did not include any estimated loss from ending same and consecutive day ticketing. Such tickets are already the exception, not the norm. We believe the amount of loss to be low.

For the debt relief program, the loss in revenue will be minimal for next year's budget. We roughly estimate that \$3.5 million in tickets that would have been paid next year will have been forgiven this year. The \$3.5 million for amnesty is a very conservative estimate that would mean 31,000 people who took advantage of amnesty (\$113 difference between the ticket and the City Sticker) may have paid the ticket in 2020. More than half of all people with a ticket only have one.

COFA's conclusions, after reviewing the ordinance and DoF's assumptions are as follows:

Short-term Impact

- **Reduction of late fees for City Stickers.** DoF's estimate of short-term costs (\$7.5m/year) is arithmetically sound.
- **Ending drivers license suspension** for parking and compliance violations. DoF's estimate (\$4.2 million) appears to be extremely conservative, at least in the short-term. The department seems to be assuming that if the City continued suspending licenses, payments from affected drivers would remain constant, but that without the suspensions those payments would drop to zero. Given the risk of booting/impoundment and other sanctions, we expect that the City would receive some payments from those drivers, although it might be less than the \$4.2 million received in 2018.
- **15-day grace period.** The effect of this policy will depend in part on the way it is implemented by the City Clerk.
 - Some especially savvy drivers may choose to purchase their stickers fifteen days later, because they now see that as the "real" due date, thus costing the City some interest. However, this will probably be a very small number of drivers, given the small amount of interest they stand to save, and the fact that doing so would require them to purchase the sticker in person on the last possible day. This loss to the City is probably too small to calculate.
 - The drivers who stand to benefit the most from the grace period are those who forgot to purchase their stickers in time. However, they would only benefit if the City Clerk sends a reminder during the grace period.
- **More generous menu of payment plans,** particularly the hardship plans. There will be some interest costs to the City, because it has never charged interest on payment plans, and the new plans will allow people to extend payment over longer periods. However, only 50% of participants were able to complete pre-SO2019-5547 payment plans,ⁱⁱ so potential revenue increases due to more people being able to complete plans is far greater than allowing more people to complete plans is far greater than potential interest costs. The City of San Francisco experienced a four-fold increase in the number of tickets paid in the year following its reduction of payment plan fees.ⁱⁱⁱ
- **The extra 24 hours prior to towing/impound** is almost certainly a net positive for the City, because the only way a motorist can take advantage of that benefit is to pay the fines or enter a payment plan. The payment plan option is new, and could cost the City if some people who previously would have paid in full will now enter payment plans. On the other hand, to the extent that the extra day and payment plan option prevent a tow, the City comes out ahead. While the \$150 towing fee may cover that cost for the City, the \$20 per day storage fee does not. The greater concern is that in 2018, 25% of impounded cars were never redeemed, and ultimately sold for scrap. On average, the City received \$182 per scrapped vehicle.
- **The four-month City Sticker** also seems like a clear net positive for the City. Most people would not choose it, because it is very inconvenient. The only people who would choose this option are those for whom paying for a sticker all at once is very difficult. If any of those people would otherwise not have been able to purchase a sticker, the City wins. There would be some

processing cost to sell a larger number of stickers, but this would be minimized by the growing popularity of online sales.

- It is difficult to estimate the value of tickets which will be forgiven in the **Amnesty**. DoF's \$3.5 million estimated cost in forgiven tickets seems reasonable given the number of qualifying vehicles. The *net* immediate cost would likely be less than that because motorists would have to purchase a current City Sticker to qualify. If a motorist has one or more unpaid City Sticker tickets over a year old, there is a non-trivial chance that they would not otherwise purchase a current City Sticker. In addition, since all of the forgiven tickets are over one year old, a non-trivial portion of them would have been uncollectable.

In COFA's view, the changes to payment plans, grace periods, towing timelines, and license suspensions will be a net positive for City revenues because they will allow more opportunities to come into compliance, while retaining enough deterrents (including, but not limited to, the risk of booting and towing) to make being a scofflaw a very unattractive option.

California's fine collections increased 8.9% after it discontinued license suspension for nonpayment of traffic and parking tickets and offered more flexible payment options. Payments also increased in Dallas-Fort Worth, TX and Palm Beach County, FL after those jurisdictions instituted policies sharply reducing the use of drivers license suspensions for non-moving violations.^{iv} It may be that some of the suspended drivers may have lost the means to pay their fines once they were unable to drive. Some other suspended drivers may have continued to drive illegally without paying their fines.

The cost of enforcing a license suspension is significant. Driving on a suspended license is typically charged as a Class A misdemeanor in Illinois, punishable by a maximum of 364 days in jail and \$2,500 fine plus mandatory court costs.^v Unfortunately, it may be difficult to collect court costs from a person who drove on a suspended license rather than pay their parking fines. While the court system and holding costs would fall on the state and county, CPD would be required to devote significant personnel hours to arresting, booking and holding offenders, as well as sending Officers to court dates.

We cannot agree with DoF's belief that the payment plan options and education would reduce the number of motorists paying their tickets late from 53,000 per year to zero. Thus, the lost revenue from reducing the City Sticker late fees from \$250 to \$50 may drop from the initial \$7.9 million per year, but it will never reach zero. Thus, there would always be net loss of revenue from reducing City Sticker late fees from \$250 to \$50, although DoF may well be correct that the cost would fall from the initial \$7.9 million per year. We think it is very likely that the lost late fee revenue would be more than offset by the net positive effects of the other reforms.

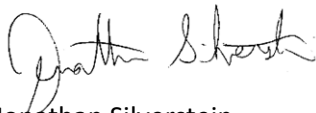
COFA is concerned about the long-term effects of the amnesty program. Use of tax/fine/fee amnesties have been widespread throughout the United States since 1982, according to Governing Magazine. The magazine reports:

"The amnesties are notorious for producing headline-grabbing revenues, but these are wildly inflated," [Justin Ross, an associate professor at Indiana University and public finance economist who specializes in state and local tax policy] said. "Much of these would be collected under normal procedures." And there's always the risk that taxpayers will become complacent, calculating that they can skip filing and just wait for an amnesty. "There have been studies

that show, psychologically, that the willingness of a state to regularly or periodically enact an amnesty does trigger an expectation on the part of some taxpayers, but not all," said tax attorney Gregory Jenner, a partner with Stoel Rives in Washington, D.C. "Some people get sideways, then get themselves straight. It's a trade-off the states have to acknowledge."^{vi}

There may be such an expectation among some Chicago motorists, given that Chicago offered parking ticket amnesties in 2002, 2009 and 2015. The current amnesty is by far the most generous ever offered in Chicago. The 2002 and 2015 amnesties waived late fees for those who paid in full, while the 2009 amnesty waived half of late fees.^{vii} By contrast, the current amnesty actually forgives up to three tickets altogether. The long-term effect on driver behavior will depend on whether the drivers are more likely to believe to see this amnesty as a once-in-a-lifetime opportunity or the new normal.

Sincerely,



Jonathan Silverstein
Budget Analyst
City Council Office of Financial Analysis

ⁱ Ms. Consola's quotes were consolidated from three different emails sent on 10/1/19 and 11/25/19. For that reason, they were lightly edited for clarity. COFA would be happy to provide the original email chain if an Alderman or so requests.

ⁱⁱ Email from Tina Consola, First Deputy Director, Chicago Department of Revenue, 7/22/19

ⁱⁱⁱ "City says reduced fee for parking citation payment program boosting revenues," by Joe Fitzgerald Rodriguez, *San Francisco Examiner*, May 14, 2018.

^{iv} *Debt-Based Driver's License Revocation Does Not Increase Collection of Traffic Fines and Cost*, Fines and Fees Justice Center

^v *Driving on a Suspended or Revoked License*, The Davis Law Group, P.C.

<https://www.illinoisdriverslicensereinstatementlawyer.com/driving-on-a-suspended-or-revoked-license.html>

^{vi} "How Tax Amnesties Help State Budgets," by Susan Milligan, *Governing*, May 5, 2015

^{vii} Chicago introduces monthlong parking ticket amnesty program," by Stephanie Pfeffer, *Medill News Service*, July 11, 2002

"Daley wants parking ticket amnesty," by Dan Mihalopoulos, *Chicago Tribune*, November 5, 2008

"Got Overdue Tickets to Pay? City Amnesty Program Waives Fees for 6 Weeks," by Mike Brockway, *DNAInfo*, November 15, 2015