

Civil Penalty Process For Toll Violations

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**Fiscal Year 2014, Quarter 4
April – June 2014**

Summary:

The attached report is for the period April - June 2014 and addresses requirements in ESSB 6001, Section 209 (5) regarding the civil penalty process for toll violations on toll facilities of the Washington State Department of Transportation.

For this period, 212,800 NOCP transactions were issued (approximately 2.4% of total transactions). The 212,800 NOCP transactions represent \$1.1 million dollars in unpaid tolls. For this reporting period, the Civil Penalty process recovered \$1.7 million in tolls and fees after debt collection costs. As a whole, this represents 55% over the value of the toll revenue expected as a result of the toll enforcement process. These revenues also fund the toll enforcement operation costs.

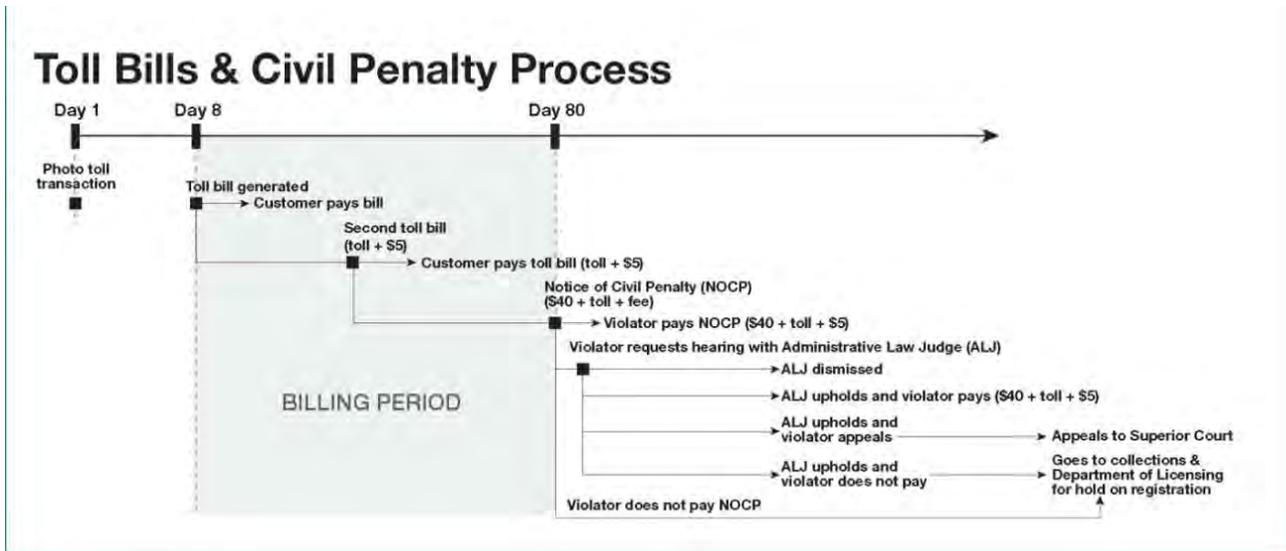
For the fourth quarter of FY 2014, more than 22,300 NOCP transactions were paid without an administrative hearing and more than 23,200 NOCP transactions were scheduled for administrative hearing. NOCP recipients that did not respond by paying or requesting a hearing prior to the due date may be subject to vehicle registration holds with the Department of Licensing (DOL).

WSDOT began placing registration holds on registered owners with unpaid NOCP transactions in July 2013. Due to the nature of the DOL hold process – where registered owners are only notified about holds by the DOL at the time of their annual registration renewal – it is estimated that it will take approximately 18 months of operation before the DOL hold placement requests and related payments will stabilize. As expected, WSDOT observed another appreciable increase on a quarter over quarter basis in the amount of money collected through the DOL hold process as it completed its twelfth month of operations. Results related to DOL hold placements, cash collected and costs incurred for this quarter are included below.

WSDOT implemented SHB 1941 which sets the rules by which the administrative law judges can reduce civil penalty and other fees based on certain mitigating circumstances on July 28th, 2013. The process of administering, tracking and reporting on the program relies heavily on manual processes. As a result, WSDOT is including quarterly results with this report which reflects activities from the previous quarter. This will allow for the most accurate reporting of the results of the mitigation process. FY 2014 Q3 results are detailed below.

The NOCP Process:

WAC 468-305-500 through 582 contains provisions related to the civil penalty process, which are consistent with RCW 46.63.160. In accordance with the rules, the Department will send an NOCP to the registered owner or renter of the vehicle who has not paid a toll within 80 days.



Project Status:

WSDOT has seen a stabilization of the number of NOCPs issued, administrative hearings requested and the associated costs of each over the last quarter of fiscal year 2014. For comparison purposes, the number of NOCPs issued for FY 2014 Q3 and FY 2014 Q4 were 226,800 and 212,800, respectively. The number of administrative hearings requested for FY 2014 Q3 and FY 2014 Q4 were 23,000 and 23,200, respectively. Toll enforcement costs have remained consistent on a quarter-over-quarter basis at \$791K and \$877K for FY 2014 Q3 and FY 2014 Q4, respectively.

During FY 2014 Q4, WSDOT requested DOL holds on 52,800 unresolved SR 16 Tacoma Narrows Bridge transactions and 87,400 unresolved SR 520 Bridge transactions with a combined value of \$6.3 million dollars in unpaid tolls and fees. As with other toll enforcement metrics, DOL Hold placement requests have stabilized over the fourth quarter of fiscal year 2014. DOL Hold placement requests for FY 2014 Q3 and FY 2014 Q4 were 125,700 and 140,200 respectively.

Collections related to DOL holds placed improved slightly during the quarter to \$1.0M from \$950K reported in the third quarter of the program. Based on current understanding of the DOL hold program, WSDOT projects that all of the backlogged DOL hold requests submitted between July and December 2013 will be placed and registered owners notified by December 2014.

WSDOT continued to track the results of the civil penalty mitigation process set forth in SHB 1941. Due to the lack of system programming, the process for administering, tracking and reporting on mitigations relies heavily on manual intervention. As reported last quarter, WSDOT has included results from FY 2014 Q3 with this report. The 90-day delay allows for the most accurate reporting of results. WSDOT is projecting that the majority of any backlogged administrative hearings will be processed by the end of FY 2015 Q1. At that time, WSDOT will make a determination as to whether mitigation results can be accurately reported in the same quarter in which they are requested and scheduled.

During FY 2014 Q3 (Jan - Mar 2014), the administrative law judges heard 4,200 cases representing 23,600 toll transactions with a total value of \$1.1 million in unpaid tolls and fees. They reduced the civil penalty charges on 9,000 transactions at a total reduction of \$364,500 in fees. As would be expected, WSDOT is experiencing an increase in the number of NOCP transactions which are being paid at toll

value only (reduction of civil penalty fee). However, when comparing the average amount collected per NOCP issued for FY 2013 Q3 to FY 2014 Q3, the mitigation process is not having an adverse effect on overall collection amounts per NOCP issued (\$7.31 in FY 2013 vs. \$7.86 in FY 2014).

For FY 2014 Q4, WSDOT collected net cash in excess of expenses of \$217,497 and \$1,454,626 related to SR 16 Tacoma Narrows Bridge transactions and SR 520 Bridge transactions, respectively. The final net cash collected results for FY 2014 were \$904,212 and \$6,339,675, respectively.

The table below details the results of debt collections activities related to WSDOT's Civil Penalty Program.

FY 2014 Q4 (Apr - June 2014)	SR 16 Tacoma Narrows Bridge	SR 520 Bridge	Total
Number of total toll transactions ¹	3,615,054	5,239,680	8,854,734
Civil Penalty Activity Results²			
Number of civil penalty transactions issued	75,498	137,276	212,774
Number of civil penalty transactions paid upon receipt of the NOCP	3,995	18,324	22,319
Number of civil penalty transactions which did not receive a response	64,517	102,722	167,239
Number of civil penalty transactions requesting a written dispute in lieu of in-person hearing	2,728	6,339	9,067
Number of civil penalty transactions requesting an in-person hearing	4,257	9,892	14,149
Total number of civil penalty transactions requesting adjudication	6,986	16,230	23,216
Vehicle Registration Hold Results³			
Number of civil penalty transactions placed on DOL Hold	52,834	87,402	140,236
Debt Collection Cost and Revenue			
Cash received related to civil penalty tolls ⁴	\$81,902	\$226,109	\$308,011
Cash received related to \$40 civil penalty fee	\$417,994	\$1,737,774	\$2,155,768
Total cash received related to debt collection activities⁵	\$499,896	\$1,963,882	\$2,463,779
Workload costs related to debt collection activities ^{6,7}	\$282,399	\$509,256	\$791,655
Net cash received related to debt collection activities (FY 2014 Q4)	\$217,497	\$1,454,626	\$1,672,124
Net cash received related to debt collection activities (FY 2014 To Date)	\$904,212	\$6,339,675	\$7,243,887

FY 2014 Q3 (Jan - Mar 2014)⁸	SR 16 Tacoma Narrows Bridge	SR 520 Bridge	Total
Civil Penalty Mitigation Results (SHB 1941)			
Number of civil penalty transactions adjudicated	7,097	16,491	23,588
Dollar value of civil penalty transactions adjudicated	\$326,573	\$758,767	\$1,085,340
Number of civil penalty transactions w/civil penalty fees reduced	2,719	6,317	9,036
Dollar value of civil penalty fees reduced	\$109,663	\$254,794	\$364,457

- 1) Toll transactions as reported in the monthly toll report (RTS system). SR 16 Tacoma Narrows Bridge transactions include manually collected transactions (Toll Booths).
- 2) Civil Penalty Transaction data is queried from the ETCC database. The data is pulled 25 days after the NOCP transaction date in order to allow each recipient time to pay or request a hearing prior to the NOCP due date.
- 3) DOL Hold Program began in July 2013. Due to the timing of vehicle owner annual registration renewal, it is anticipated to take 15 months for all affected registered owners related to this period's registration holds to be notified by DOL.
- 4) Civil Penalty tolls collected related to SR 520 Bridge transactions are pledged to bondholders as a part of SR 520 bond covenants.
- 5) Amounts reported represent cash received from NOCP debt collection activities.
- 6) Financial statements report total revenues earned after NOCP recipient has been found liable through an administrative hearing or deemed liable for not responding to the notice by the due date (20 days). This differs from the amount of cash collected which is presented here.
- 7) Workload costs represent the total costs charged to each toll facility in relation all debt collection activities during this reporting period.
- 8) Due to challenges related to administering the civil penalty mitigation program, results shown here represent hearings and mitigated transactions from FY 2014 Q3 (Jan – Mar 2014).