

Andrew Klein

FROM	NAME & TITLE	Andrew W. Kleine, Chief
	AGENCY NAME & ADDRESS	Bureau of the Budget and Management Research Room 469, City Hall (396-4941)
	SUBJECT	City Council Bill 10-0502 – Parking Amnesty

CITY of
BALTIMORE
MEMO



TO

The Honorable President and
Members of the City Council
C/O Karen Randle
Room 409, City Hall

DATE: June 9, 2010

Attention: Karen Randle

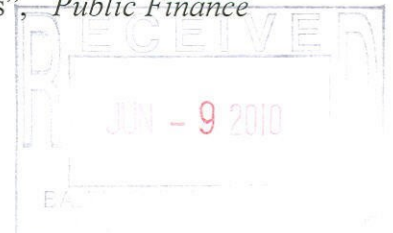
This bill creates a five day amnesty period during which persons holding outstanding parking, stopping and standing violations may pay these fines without paying associated late penalties. The amnesty will occur within 60 days of passage of this bill.

Analysis

Amnesties are money losers for the City, and there are many complicating issues associated with amnesties that range from behavioral changes of persons receiving the citations to massive administrative burdens for the City.

- A study¹ by James Alm and Nobel Prize economist William Beck shows that tax amnesties can reduce future compliance if the taxpayer anticipates future amnesties. The current legislation creates the anticipation of future amnesties by not only repeating a recent amnesty but also by specifying that amnesties can be offered once every four years.
- There is a substantial loss of penalties that would have been paid in FY2011 and FY2012, but will not be received because of the amnesty.
- Citizens who follow the law and pay fines and penalties are treated unfairly. This will raise resentment towards the City – and possibly legal action – and could result in a lack of compliance in other areas.
- The City (Linebarger Collection Agency) administers payment plans for delinquent citation. This payment program, which was put in place since the last amnesty, has helped hundreds of people pay their late penalties without undo financial hardship. If amnesty is granted, we would lose revenue from 169 persons who are currently paying back their delinquent accounts over time. Again, amnesty would send the wrong

¹ James Alm and William Beck, 1990, "Tax Amnesties and Tax Revenues", *Public Finance Review*, Vol. 18, No. 4, 433-453.



message to persons who meet their obligations even when it places a financial burden on them.

- The Department of Finance is currently exploring an MOU with the State to have State refunds redirected to the City for persons who owe the City for parking fines. A recurrent amnesty would result in this program being ineffectual.

Fiscal Impact

Based on data from the previous amnesty, the Finance Department estimates that an amnesty will cost the City \$560,786 dollars in net revenue loss over FYs 2011 and 2012. While the amnesty is expected to generate payments of \$4,785,814 dollars in FY2011, these payments will be more than offset by lost penalty collections of \$3,750,600 in FY 2011 and \$1,596,000 in FY 2012. This estimate does not account for additional lost penalty payments caused by the behavioral changes described above. These additional losses could be severe, as the expectation of regular amnesties created by this bill would encourage widespread non-compliance. The Department of Finance would advocate that any net revenue gain from amnesty in FY 2011 be put in reserve to help offset the net revenue loss in FY 2012 and not used to fund operations in FY 2011.

Estimated Parking Fine Amnesty Costs for FY2011 and FY2012		
FY 2011 Additional Parking Fine Receipts Due to Amnesty		\$4,785,814
FY 2011 Penalty Revenue Loss Due to Amnesty		-\$3,750,600
FY 2012 Penalty Revenue Loss Due to Amnesty		-\$1,596,000
FY 2011-2011 Impact of Amnesty		-\$560,786

Recommendation

The Finance Department strongly recommends against enacting the proposed amnesty because it will result in a net loss of revenue for the City. Additionally, amnesty rewards poor behavior, will impair future collections, and is unfair to those citizens who paid on a timely basis.

Cc: Edward J. Gallagher
Angela Gibson
William Voorhees

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