

SB 59- Maryland Transportation Authority - Options

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Position: FAV



SB 59- Maryland Transportation Authority - Options for the Payment of Tolls and Civil Penalties
Senate Budget and Taxation Committee
January 25, 2022
SUPPORT

Chairman Guzzone, Vice-Chair and members of the committee, thank you for the opportunity to submit testimony in support of Senate Bill 59. This bill will give drivers an opportunity to pay their video toll charges in an obtainable manner.

The CASH Campaign of Maryland promotes economic advancement for low-to-moderate income individuals and families in Baltimore and across Maryland. CASH accomplishes its mission through operating a portfolio of direct service programs, building organizational and field capacity, and leading policy and advocacy initiatives to strengthen family economic stability. CASH and its partners across the state achieve this by providing free tax preparation services through the IRS program 'VITA', offering free financial education and coaching, and engaging in policy research and advocacy. **Almost 4,000 of CASH's tax preparation clients earn less than \$10,000 annually. More than half earn less than \$20,000.**

Many Marylanders pay to use roads that helps them access their jobs, school, and other resources. 100% of Maryland toll road are cashless toll roads. Cashless tolls do not allow drivers to pay the toll fee while driving, so they must pay the toll by using an E-ZPass or by video tolling. The driver is supposed to be notified about the original charge, then receive a failure to pay charge (\$25 per transaction), and then be notified before their charges are sent to Maryland's Central Collection Unit (CCU). The problem is that many customers are not receiving the charges through the mail. This results in drivers being completely unaware about the charges they are accruing.

Unfortunately, there are numerous drivers who are unaware of their video toll charges until months after the original charge or until it is sent to Maryland's CCU. Since there is a fee on every transaction, fees tend to add up quickly. There will be at least two charges per trip on a toll road: one to drive to the destination and one to return. If a driver is unaware about the charges they are accruing, they can easily have 10 or more transactions in one week for using the toll roads for everyday activities. For example, one month of going to work 5 days a week can amount to \$1,000 in penalty fees.

COVID-19 has exasperated problems with driver receiving their notices. The Maryland Transportation Authority (MDTA) paused the mailing of notices for customers who used toll facilities without an E-ZPass¹. This is resulting in customers receiving hundreds of dollars in video toll fees with limited options to pay. On top of video toll charges and the penalty fee on each charge, another fee is added to the total amount sent to CCU. Once the amount is sent to CCU, there are limited payment plan options. According to the Federal Reserve, **we know that many Americans would struggle to produce \$400 quickly**². This typically leads to negative credit scores, wage garnishments, and force many Maryland drivers to "toll bankruptcy."

Maryland's current video toll system is financially punitive, and a barrier to people paying their original charge. SB 59 gives drivers the opportunity to be accountable for their original amount and any associated fees in a way that is less harmful to them.

For these reasons, we encourage you to return a favorable report for SB 59.

¹ [WALB](#)

² [Federal Reserve](#)

SB59 MCRC Testimony 2022.pdf

Uploaded by: Isadora Stern

Position: FWA

Testimony to the Senate Budget & Taxation Committee
SB59: Maryland Transportation Authority - Options for the Payment of Tolls and Civil Penalties
Position: Favorable with Amendment

January 25, 2022

Senator Guy Guzzone, Chair
Senate Budget & Taxation Committee
3 West Miller Senate Office Building
Annapolis, Maryland 21401

Cc: Members, Senate Budget & Taxation Committee

Honorable Chair Guzzone and Members of the Committee:

We are writing today in support of SB59.

In 2018, MCRC released a research report, *No Exit: How Maryland's Debt Collection Practices Deepen Poverty & Widen the Racial Wealth Gap*, which details the fines and fees that derail the efforts of low-income Marylanders to gain a stronger economic foothold and achieve financial stability.¹ Our report found that in recent years as electronic-tolling has grown in popularity, state-owed debt related to electronic-tolls and their associated civil penalties has grown exponentially.

Our research found that these tolls fell disproportionately on unbanked and underbanked Maryland drivers and that the toll amount resulted in severe economic hardship for many individuals. Several individuals declared bankruptcy due to the cost of mounting tolls.

Today, many Maryland families are suffering with the twin crises of the pandemic and economic recession. Many households are financially fragile at this time and are struggling to keep their homes, keep food on the table, and pay medical bills. Video toll costs penalize the poor and exacerbate a vicious cycle of poverty.

SB59 would establish a payment plan option for drivers struggling to pay off their tolls and fines. For low-income Marylanders, paying a bill or debt as a single large sum is cataclysmic for their financial well-being and often impossible. This bill adds a provision that would allow drivers to set up a formal payment plan to repay 10% of their total debt monthly.

MCRC's Securing Older Adult Resources (SOAR) Program works to improve the financial well-being of older adults through research, community outreach programs, and direct service benefits including financial coaching and counseling. The majority of clients that we see are older, African-American women, often widowed, who live on fixed incomes. Living on a fixed income requires good financial planning. Our "Money Smarts for Adults" training encourages our clients to create a monthly spending

1

https://static1.squarespace.com/static/5b05bed59772ae16550f90de/t/61e0ace0126a434a26bcf3f4/1642114273947/No_Exit_Report.pdf

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Maryland Consumer Rights Coalition, Inc is a 501(c)(3) nonprofit organization and your contributions are tax deductible to the extent allowed by law.

and payment plan.² These plans help our clients better manage their money. While you cannot budget your way out of a low-income, you can, with the right tools, manage your cash flow. Adding a monthly payment plan to repay MDTA debts would allow low-income drivers to make regular, more affordable payments rather than paying in a lump sum.

Furthermore, Michelle Dun, an award winning author and columnist who has been called the nation's authority on collecting money, can be quoted from her article "Give Your Customers Payment Options: When someone is past due, being flexible is the best way to get what you're owed" saying, "It's just good business to offer your customers options for making payments. These options can include payment plans, using credit or debit card, online payments, checks, cash..."³ Payment plans are best practice and help encourage repayment.

While this bill makes tremendous progress in assisting consumers pay their debts, 10% monthly payments on large outstanding debts can still be difficult for low-income drivers to pay. MCRC would like to propose that:

- A 5% installment option is made available to drivers who meet or are below 200% of the Federal Poverty Guidelines.

We believe this would support the goal of the bill to assist consumers in repaying their outstanding MDTA tolls and fines. With the presently proposed 10% repayments, a consumer who owes over \$500 would be landed with a monthly payment of \$50 or more. MCRC clients who work with us on financial counseling or tenant advocacy have a median income of \$20,000; for these individuals, a bill - whether it is \$50 or \$500 - is unaffordable and has a negative impact on their financial well-being.

For all these reasons, we support SB59, recommend the proposed amendment, and urge a favorable report.

Sincerely,

Isadora Stern
Policy Associate

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<https://static1.squarespace.com/static/5b05bed59772ae16550f90de/t/614deea4593c2b33f17938fb/1632497317480/Module+4+Your+Spending+and+Saving+Plan-Participant+Guide.pdf>

³ <https://www.entrepreneur.com/article/204932>

SB 59 MdTA-Options for Payment of Tolls and Civil

Uploaded by: Barbara Wilkins

Position: INFO



Maryland

DEPARTMENT OF BUDGET
AND MANAGEMENT

LARRY HOGAN
Governor

BOYD K. RUTHERFORD
Lieutenant Governor

DAVID R. BRINKLEY
Secretary

MARC L. NICOLE
Deputy Secretary

SENATE BILL 59 Maryland Transportation Authority - Options for Payment of Tolls and Civil Penalties (McCray)

STATEMENT OF INFORMATION

DATE: January 25, 2022

COMMITTEE: Senate Budget & Taxation

SUMMARY OF BILL: SB 59 authorizes the Maryland Transportation Authority to offer payment plans on toll-violation debt either prior to assignment to the Central Collections Unit or to recall debt and offer a payment plan. The bill also requires the Maryland Transportation Authority to offer a range of options to pay toll transactions and penalties.

EXPLANATION: The Central Collections Unit (CCU) is a self-funded state agency within the Department of Budget and Management and is responsible for the collection of delinquent State-owed debt. CCU assesses a 17% collection fee on delinquent debts to cover its operational expense. CCU, therefore, does not receive General Funds and only recovers this fee through payment (voluntary and involuntary) from the debtor.

Much of the Maryland Transportation Authority's (MdTA) E-ZPASS debt, which is the subject of this legislation, has been in active collection since 2016, with CCU having spent significant funds on IT, billing, call centers, and staffing to properly pursue this debt collection. Any debt recalled from CCU by MdTA results in CCU losing money associated with the costs incurred for debt collection prior to recall, thereby disrupting CCU's business model as a self-funded agency.

The interests of all parties would best be served, if the legislation were amended to require MdTA to offer payment plans on their E-ZPASS debts prior to assignment to CCU. Once debts are assigned to CCU, they should not be recalled by MdTA or, at least, not without allowing CCU to recover its collection fee.

**For additional information, contact Barbara Wilkins at
(410) 260-6371 or barbara.wilkins1@maryland.gov**

SB0059 - MDTA - Options for the Payment of Tolls a

Uploaded by: Patricia Westervelt

Position: INFO

January 25, 2022

The Honorable Guy Guzzone
Chairman, Senate Budget and Taxation Committee
3 West, Miller Senate Office Building
Annapolis MD 21401

Re: *Letter of Information – Senate Bill 59 – Maryland Transportation Authority – Options for the Payment of Tolls and Civil Penalties*

Dear Chairman Guzzone and Members of the Committee:

The Maryland Department of Transportation (MDOT) and the Maryland Transportation Authority (MDTA) take no position on Senate Bill 59 but offer the following information for the Committee's consideration.

The proposed legislation (1) requires the MDTA provide certain users of Transportation Facilities Projects a range of options to pay for toll transactions and penalties at toll facilities; (2) authorizes the MDTA to refer certain unpaid tolls and penalties to the State's Central Collection Unit (CCU) for collection; (3) requires the MDTA to recall certain unpaid video tolls and penalties from the CCU under certain circumstances; (4) requires the MDTA to waive penalties under certain circumstances; and (5) requires the MDTA to offer a certain installment plan agreement to certain persons for the payment of certain tolls and penalties. If enacted, Senate Bill 59 would have a significant fiscal and operational impact on the MDTA.

The MDTA would like to note for the Committee that it has engaged in conversations with the bill sponsor about areas of concern in the bill, as drafted, as well as common goals. The MDTA looks forward to continuing its working relationship with the bill sponsor in the hope of reaching a consensus on bill language.

Toll Collection at MDTA Facilities

The bill requires that, to the greatest extent feasible, the MDTA provide *E-ZPass* account holders and other users of Transportation Facilities Projects the option to pay for toll transactions and associated penalties at toll collection facilities via cash, check, money order, and electronic funds transfer through certain methods. In August 2020, all-electronic (AET)/cashless tolling was implemented permanently across all toll facilities in Maryland. As such, complying with this provision would be impracticable as it would require the MDTA to restore cash collection at all of its toll collection facilities, including the Intercounty Connector and I-95 Express Toll Lanes which have been AET/cashless facilities since their opening.

It is estimated that it would cost \$335 million to restore cash collections at the MDTA's legacy facilities and to begin collecting cash at the Intercounty Connector and I-95 Express Toll Lane facilities. Also, it would cost approximately \$14.8 million annually in personnel expenses to hire toll collectors and supervisors for 24-hour operations at the MDTA's current toll facilities. Additional toll collector positions are needed as a result of employee attrition and efforts undertaken by the MDTA to transition toll collectors into new jobs following the conversion to AET/cashless tolling. Additionally, restoring cash collections would result in additional costs for armored car pick up services as well as higher bank fees due to daily cash deposits. Aside from the financial implications, resuming cash collections at MDTA facilities would eliminate the long-term benefits of AET/cashless tolling such as the environmental benefits from better fuel efficiency, reduced emissions, reduced traffic congestion, reduced crashes and increased driver and MDTA employee safety.

In addition, due to the large number of electronic funds transfer apps and the large growth of the variety of such apps it would be difficult to implement the digital wallet provision of the bill to cover all available electronic fund transfer apps "to the greatest extent feasible."

Recall of Debt & Civil Penalty Waiver

Senate Bill 59 requires the MDTA to recall a delinquent account from the Central Collections Unit (CCU) if the account exceeds \$300 in unpaid video tolls and associated civil penalties and the delinquent account holder agrees to enter into a certain installment plan. Senate Bill 59 also requires the MDTA to waive civil penalties associated with the toll debt recalled if (1) the notice of toll due (NOTD) for the video toll in question was sent more than 60 days after the video toll transaction occurred; and (2) the MDTA is responsible for the delay in the timely processing of the video toll transactions due to COVID-19 or other factors.

Under current law, there is no time requirement for when the MDTA must mail notice to a customer of their toll due after the customer incurs the transaction. As drafted, the civil penalty waiver provision does not limit the 60-day timeframe for mailing a NOTD to COVID-19-related delays, resulting in a broad application that all NOTDs be mailed within 60 days of the transaction. Currently, the MDTA's tolling system provider is under no contractual obligation to issue NOTDs within 60 days of the transaction and if enacted, Senate Bill 59 would require the MDTA to amend its contractual agreement. The costs associated with the MDTA amending its agreement with the tolling system provider are unknown. Furthermore, the current system allows customers to receive a 15 percent discount of up to \$5 if a video toll is paid before mailing. Requiring earlier mailings would result in customers receiving less opportunity to receive the early payment discount.

In response to the COVID-19 pandemic and to assist and provide financial relief to its customers, the MDTA ceased cash tolling operations and initiated statewide all-electronic tolling in March 2020. In addition, the MDTA also paused processing and mailing NOTDs to assist citizens who may have lost their job or had reduced hours due to COVID. As Maryland moved into Phase III of its COVID-19 recovery plan, the MDTA resumed mailing NOTDs in October 2020, beginning with unpaid transactions for trips made from March through June 2020. The temporary pausing of the mailing of

NOTDs, coupled with the MDTA's transition to its Third Generation Electronic Toll Collection System, resulted in a significant backlog of customer NOTD mailings.

As of January 11, 2022, 1.8 million citations remain unpaid that are associated with transactions that were not processed during the mid-March 2020 to mid-October 2020 timeframe. If the civil penalties associated with these transactions are waived, the amount of outstanding debt owed to the MDTA would be reduced by as much as \$45.7 million. Furthermore, the civil penalty is one of the strongest tools to trigger payments on the original tolling due. Eliminating the civil penalties will discourage compliance and cooperation with the State's tolling systems and will reduce tolling payments on valid tolls. The MDTA already can and often does provide courtesy waivers of civil penalties when working with customers to resolve their outstanding toll debt. In doing so, the agency often waives the civil penalty amount owed.

Installment Plan

While noting that the MDTA already has the authority to enter into installment plans with customers and can coordinate with the CCU to offer customer installment plans, Senate Bill 59 requires the MDTA to offer an installment plan agreement to any delinquent account holder, *E-ZPass* account holder, or Pay-by-Plate customer alleged to be liable for unpaid video tolls and associated civil penalties that total at least \$300. Installment plan participants are required to make monthly installment payments of 10 percent per month on the total amount of the unpaid video tolls and associated civil penalties owed. Given that the legislation does not specify a timeframe for the repayment of outstanding video tolls and civil penalties, it could take over 15 years for all accounts that would qualify for an installment plan to remit all unpaid tolls and civil penalties.

Personnel costs associated with hiring the needed contractual positions to establish and administer the installment plans is estimated to total approximately \$252,000 annually. Additionally, it is estimated that it would cost approximately \$2.1 million to (1) modify the MDTA's existing tolling system to establish a mechanism for administering and tracking monthly installment plan accounts in lieu of CCU performing these activities. Furthermore, additional costs totaling \$452,000 would be required to provide customers with the option to make payments using a digital wallet payment platform. It is also unclear whether the MDTA would have to accept payment from a third-party app which would result in additional costs to the MDTA. It is important to note that the costs above assume that the installment plans will be managed with proper system changes that allow for effective and efficient account management, and not extraordinary manual efforts that may be required to comply with the legislation based on the effective date of July 1, 2022. Costs will be higher to comply with the stated effective date of the legislation.

Trust Agreement

Since 1971, the MDTA has been responsible for constructing, managing, operating, and improving the State's toll facilities, as well as for financing new transportation projects under its purview, such as the Governor Harry W. Nice/Senator Thomas "Mac" Middleton Bridge in Charles County. The agency is entirely reliant on tolls collected from its users, as the MDTA does not receive any State General Fund or Transportation Trust Fund dollars. In accordance with the MDTA's Trust

The Honorable Guy Guzzone
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Agreement with bondholders, toll revenues are first pledged to pay operating expenses, including debt service for bonds that are used to fund major transportation projects at existing and new facilities.

The MDTA is governed by a Trust Agreement with its bondholders, as allowed by statute. Revenues from Transportation Facilities Projects are pledged as bondholder security to repay the MDTA's debt. If the proposed civil penalty waiver and protracted installment payment plan goes into effect as written in the bill, it could cause the MDTA to fail to generate sufficient revenues to comply with the Rate Covenant. Failure to comply with the Rate Covenant would cause the MDTA to be in default of its contractual obligations under its Trust Agreement with its bondholders. Additionally, violations of the Trust Agreement may result in a downgrading of the MDTA credit rating by the rating agencies. Other toll agencies, such as the Miami-Dade County Expressway Authority (MDX), experienced bond ratings downgrades due to legislative interventions that interfered with its toll rate setting autonomy. A downgrade of MDTA's credit would lead to lower credit worthiness as well as higher financing rates for capital projects.

Effective Date

Finally, the effective date of the legislation does not permit traditional procurements and reasonable and feasible timeframes for tolling system modifications for proper account management and would result in additional expenses. Even with emergency procedures, the MDTA does not anticipate it is feasible to comply with the legislation within the timeframe provided.

The Maryland Department of Transportation respectfully requests the Committee consider this information as it deliberates Senate Bill 59.

Respectfully submitted,

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