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Collections company gets results on court fines, but some attorneys are troubled

The decision by Spokane County District Court to privatize the collection of all fines and fees, using the same company that handles its bad debts, is raising conflict-of-interest questions within the legal community.

Defense lawyers and advocates for the poor worry that PAR Acceptance Corp., hired by District Court in December to handle time-payment agreements, has an incentive to push past-due accounts into bad debt status as quickly as possible because it benefits its subsidiary, Valley Empire Collections. Both companies are owned by Troy Peterson, a Spokane Valley businessman who's made millions handling debt collection for courts in Spokane.

District Court officials say there's nothing improper in the arrangement, noting that collection duties were outsourced to accommodate the elimination of several jobs due to county budget cuts.

"In December 2009 we lost about 30 percent of our clerk staff," Presiding District Court Judge Vance Peterson said. "The cuts were devastating as far as our ability to still function. The bottom line was, we had to shut down our cashiering unit."

According to county documents, PAR charges people \$15 to set up accounts and then \$5 a month on top of their agreed-upon monthly payment to cover administrative costs. Previously, most people paid just \$25 a month toward their court-ordered fines. Now, PAR has implemented a sliding scale, so monthly fees range from \$30 to \$90, depending on how much the person owes.

The new billing arrangement with PAR doesn't affect other remedies available for people who fall behind on their court-ordered payments, including jail time and community service.

One of those facing the higher fee is David Orth, 43, of Spokane. He pleaded guilty last year to three misdemeanors in an agreement with the prosecutor that allowed him to combine the three bills, totaling more than \$1,500, and pay them off with monthly installments of \$25.

But Orth – who is unemployed – recently received notice that his bill will soon be \$90 a month.

"What really upsets me is that if I had money, I would pay this bill. I am paying 20 percent more than I would if I could pay it off at once," Orth said. "So this has become a tax on poor people. They are increasing the sentence after the fact."

State law allows counties to contract with private companies for collection of court fines and fees.

But Tim Durkop, a local consumer advocate attorney, said it's unfair to apply the new fees to existing accounts.

At the time the PAR contract was signed, District Court had more than 13,000 debtors who owed a total of \$5.8 million in fines and fees. Those people were not charged the \$15 fee and got a break on the first month's \$5 administrative fee. But subsequent bills have reflected the new PAR amounts.

When those new statements came in the mail, hundreds of residents decided to pay their full amounts, said John Witter, clerk of the court.

"So far, so good. It's looking like a good move on our part," he said.

Officials at Kootenai County District Court made the move a few years ago to privatize time payments. Judges in Coeur d'Alene give all defendants 30 days to pay. Then defendants must apply for time payments, or the case enters collections. The same parent company, Alliance One, handles both time payments and bad debts, and it has worked out well, said Patty Dube, the court services manager.

"The most shocking thing to me was ... we had bench warrants outstanding for failure to pay. But defendants responded better to the collections company ... rather than worried about being put in jail," she said. "We got to recall hundreds if not thousands of bench warrants and the collection company is collecting money versus having law enforcement spend that time dealing with those issues."

Witter said he hopes for similar results with PAR. Previously, clerks spent much of their time contacting people who hadn't paid and setting them up on new time-payment plans.

PAR "sends out a monthly statement with a return envelope. We haven't done that for years because we couldn't afford to do it," Witter said. "Just having that statement coming once a month is huge. It's a simple reminder to make these payments."

But Durkop said he's also troubled that the same company managing time payments is the company that stands to gain if the account goes to collections.

"There is a financial incentive to place people in default. PAR and Valley Empire Collection are the same company," Durkop said. "They get to add 50 percent of the collection fee on the base amount. If the debt was \$100 ... they get to collect \$150. They get a huge financial benefit."

Troy Peterson, whose company was awarded the collection contract in 2003 even though his bid for the job was not the lowest, did not return multiple phone messages seeking comment. In the last five years, Valley Empire Collection has earned \$3.68 million from its contract with District Court, according to county records.

Judge Peterson, who is not related to Troy Peterson, said he didn't like the selection process under former Judge Mike Padden that awarded the contract to Valley Empire Collection – a company Padden worked for prior to becoming judge.

As a result, Judge Peterson said he removed all judges from the selection committee in an attempt to “de-judge” the selection process.

“It went through the normal county process,” Peterson said. “I think there is more sensitivity now to the plight of the poor in the court than there ever has been. But we need the tools now instead of imposing fines.”

Dube, of Kootenai County, said she has not had any attorneys in Coeur d’Alene raise conflict-of-interest questions with Alliance One, which, doing business as Signal Time Payments, charges similar start-up and monthly fees as PAR.

“Let’s face it, if you owe \$100 and have the sign-up fee and monthly fee, the company will make more money. So there is not necessarily the incentive to turn it over to hard collections,” she said.

But attorney Jay Ames, who supervises the District Court unit of public defenders, said the new fees add to a bill that many poor defendants already can’t pay.

“A lot of District Court is traffic-related matters. If payment is not made timely, it goes to collections ... and it can result in a suspended license,” Ames said. “Then it makes it difficult for folks to find jobs. This just aggravated the situation.”