



## ARLINGTON COUNTY, VIRGINIA

### County Board Agenda Item Meeting of September 17, 2011

**DATE:** August 17, 2011

**SUBJECT:** Adoption of an Amendment to Arlington County Code Section 27-7 concerning fees for dishonored checks.

**C. M. RECOMMENDATION:**

Adopt the proposed amendment to Arlington County Code Section 27-7 concerning fees for dishonored checks.

**ISSUES:** The proposed amendment to the Arlington County Code, which would increase the fee for dishonored checks to fifty dollars (\$50.00).

**SUMMARY:** The proposed amendment would increase the fee for dishonored checks to fifty dollars (\$50.00) and track the language of State law.

**BACKGROUND:** Section 15.2-106 of the Code of Virginia provides that a locality may charge a fee on any bad check issued to the locality. Recent amendments to this Section increased the maximum amount of this fee. Section 27-7 of the Arlington County Code was last amended in 1999 to reflect a 1998 amendment to the Code of Virginia, which also increased the maximum fee amount.

**DISCUSSION:** On March 18, 2011, the Governor of Virginia approved legislation duly enacted by the General Assembly of Virginia on February 25, 2011 providing that, effective July 1, 2011, § 15.2-106 of the Code of Virginia shall read:

§ 15.2-106. Ordinances providing fee for passing bad checks to localities.

Any locality may by ordinance provide for a fee, not exceeding \$50, for the uttering, publishing or passing of any check, draft, or order for payment of taxes or any other sums due, which is subsequently returned for insufficient funds or because there is no account or the account has been closed, or because such check, draft, or order was returned because of a stop-payment order placed in bad faith on the check, draft, or order by the drawer.

County Manager: *BMD/mjs*

County Attorney: *[Signature]* *[Signature]*

Staff: Colleen Donnelly, DMF

27.

Last amended in 1999, Arlington County Code Section 27-7 currently provides:

§ 27-7. Fee for dishonored check or draft.

The uttering, publishing or passing of any check or draft for payment of any sums due to any agency of the Arlington County Government, which is subsequently returned for insufficient funds or because there is no account or the account has been closed, shall be subject to a twenty-five dollar (\$25.00) fee for each occurrence.

Accordingly and to conform to current state law, the following amendments to Arlington County Code Section 27-7 are proposed:

§ 27-7. Fee for dishonored check or draft.

The uttering, publishing or passing of any check, ~~or draft, or order~~ for payment of any sums due to any agency of the Arlington County Government, which is subsequently returned for insufficient funds or because there is no account or the account has been closed, or because such check, draft, or order was returned because of a stop-payment order placed in bad faith on the check, draft, or order by the drawer, shall be subject to a fifty ~~twenty-five~~ dollar (\$50.00 ~~\$25.00~~) fee for each occurrence.

Arlington County Government receives approximately 560 to 640 checks that are dishonored every fiscal year. Language in the County Code is being added so that stop-payment orders placed in bad faith are also subject to this fee. This addition will align fully section § 27-7 of the Arlington County Code with the Code of Virginia, § 15.2-106 as amended. The Office of the Treasurer does not track stop-payment orders separately from other types of returned checks. However, the consensus from staff processing payments is that stop-payment orders issued in bad faith occur very rarely. Therefore, it is anticipated that the addition of this condition – on its own – will generate very modest amounts of new revenue.

The passing of dishonored checks to Arlington County imposes real administrative burdens and fiscal costs. Increasing the fees for the passing of dishonored checks will either or both serve as a deterrent and reduce the number of such checks received or more fully offset the costs associated with the receipt of dishonored checks.

**FISCAL IMPACT:** The proposed amendment to increase fees for dishonored checks to fifty dollars (\$50.00) is estimated to result in the collection of an additional \$14,000 to \$16,000 per year. In FY 2012, this additional revenue will be used to offset the net tax support of the County.

## ATTACHMENT 1

**BE IT ORDAINED** by the County Board of Arlington, Virginia that Section 27-7, of the Arlington County Code is amended as follows:

### **§ 27-7. Fee for dishonored check or draft.**

The uttering, publishing or passing of any check, ~~or draft, or order~~ for payment of any sums due to any agency of the Arlington County Government, which is subsequently returned for insufficient funds or because there is no account or the account has been closed, or because such check, draft, or order was returned because of a stop-payment order placed in bad faith on the check, draft, or order by the drawer, shall be subject to a fifty ~~twenty-five~~ dollar (\$50.00 ~~25.00~~) fee for each occurrence.