

**NYC Department of Finance**

**FY17 Annual Report on DOF Collection of  
ECB Judgment Debt**

**November 2017**

**Introduction:**

On January 22, 2015, Mayor Bill de Blasio signed into law Intro 489-B. The bill, approved by the City Council at its Stated Meeting on January 7, 2015, requires the NYC Department of Finance (DOF) to report annually to the City Council on outstanding Environmental Control Board (ECB)-adjudicated judgments.

DOF must provide by November 1st of each year a publicly available report on outstanding judgment debt resulting from notices of violation issued by various City agencies and returnable to the Environmental Control Board and subsequently referred for collection during the previous fiscal year.

This is the third year that DOF is reporting on Local Law 11. The data presented in this report is as of October 5, 2017, and the source is the DOF Data Warehouse.

## **Highlights:**

### **Total Revenue**

OATH/ECB judgment collection increased significantly during FY17, totaling \$90.7 million due to Forgiving Fines: The NYC Amnesty Program for Office of Administrative Trials and Hearings (OATH) / Environmental Control Board (ECB) judgment violations. The amnesty program ran from September 12, 2016, through December 12, 2016, and generated \$45 million. This achievement has greatly contributed to the upward trend in collection revenue over the past few years. The total amount of DOF judgment collections has increased from \$41.5 million in FY14 to \$50.1 million in FY15 to \$60.9 million in FY16 to \$90.7 million in FY17 (a 119% increase from FY14).

### **Collection Rate**

The collection rate for the eight-year lifespan of OATH/ECB judgment debt is estimated to have increased from 32% in FY16 to 40% in FY17 as a result of Forgiving Fines. Appendix A shows the OATH/ECB and amnesty program collection rates by age of judgment debt for both FY16 and FY17. One can see that the collection rate is much greater for debt under a year old (13.2% for FY17) comparing to debt that is much older (2.2% for debt over seven years old).

The DOF judgment collection rate does not reflect revenue received on OATH/ECB violations before judgments are filed. It is important to remember that most OATH/ECB violations are collected or dismissed before it becomes necessary for the City to file a judgment and refer the debt to DOF. A previous review conducted by DOF indicated that 60% of violations are paid before a judgment is filed.<sup>1</sup> When combined with the post-judgment collection rate of 40%, one derives a total collection rate of 72% on all issued OATH/ECB violations.

However, the one-year collection rate for OATH/ECB judgments did not increase as dramatically as total revenue. This is because recently filed judgments referred to DOF during FY17 were not eligible for the amnesty program. The FY17 one-year collection rate was 12.6% for all judgments referred to DOF during FY17. This is a 1.6% increase from the one-year collection rate of 11.0% in FY16.

### **Collection Efforts**

DOF's Collection efforts significantly increased in FY17. The number of letters sent out increased from 128,000 in FY16 to 295,000 in FY17 (130% annual increase). This is due to the amnesty program and the inclusion of demand letters sent by Outside Collection Agencies (OCA).

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<sup>1</sup> Based on FY14 and FY15 data from the OATH Hearings Division Case Status dataset in NYC OpenData

## **Factors that Contribute to a Decrease of Net Inventory:**

### **Allowance for Bad Debt**

This report reflects an Allowance for Bad Debt that has been shared with the Comptroller's Office for its FY17 Comprehensive Annual Financial Report (CAFR).

The Allowance for Bad Debt is not a write-off. It is a valuation used to determine the portion of the outstanding debt that may ultimately be uncollectible. Individual and businesses whose debt is determined to be uncollectible are still liable for their outstanding violations.

The establishment of an Allowance for Bad Debt for ECB is consistent with City's longstanding approach for parking violation debt. The Comptroller's Office sets up a 100% Allowance for Bad Debt against parking violations older than three years and a 35% allowance against parking violations under three years old.

Following this practice, the total amount of the Allowance for Bad Debt in FY17 is \$719 million. It is comprised of: 1) judgment violations issued against property owners that have been worked by two separate collection agencies in succession and are older than three years, and 2) judgment violations issued against pedestrians (for example, for littering and illegal posting violations) and docketed more than three years ago. In many instances DOF is unable to collect from individuals and businesses because they have passed away, gone out of business, filed for bankruptcy, moved out of the City or encountered financial hardship resulting in insufficient assets.

Taking into account the Allowance for Bad Debt, the total amount of outstanding ECB judgment debt declined from \$981 million in FY16 to \$815 million in FY17, reflecting a decrease of \$166 million. Another factor that reduces the total OATH/ECB judgment debt is the amnesty program.

### **Forgiving Fines: The NYC Amnesty Program**

As stated earlier, Forgiving Fines generated \$45 million. When combined with \$115 million of penalties and interest abatements, the program resolved \$160 million of debt. Most ECB judgment debt is comprised of default penalties (45%) and interest (25%). Base fines represent only 30% of the total.

### **Inventory Lifespan**

ECB judgment violations have a lifespan of eight years. The dollar amount of judgment violations that exceeded eight years of age during FY17 was \$93.6 million. These judgment violations are considered expired and are excluded from the inventory. They are separate and distinct from violations included in the Allowance for Bad Debt category.

## Part I: Department of Finance (DOF) Inventory of OATH/ECB Debt

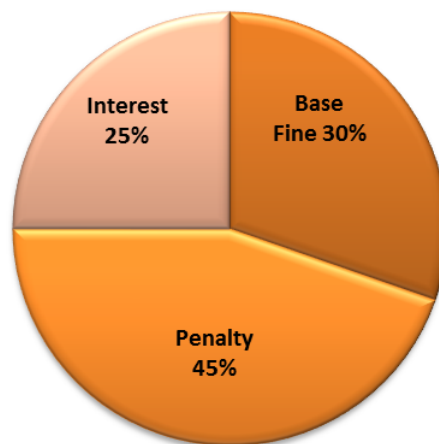
The total outstanding inventory in terms of the number and dollar amount of violations can be seen in the tables below. The total amount currently due takes into account an Allowance for Bad Debt of \$719 million.

**Table 1: Total Outstanding Inventory and its components**

# of Summonses	Base Fine	Penalty	Interest	Allowance for Bad Debt	Total Amount Due
1,294,695	\$465,275,588	\$685,374,619	\$383,333,392	\$719,000,000	\$814,983,599

As outlined in the pie chart below, default penalties for failure to attend a hearing are \$685 million, 45% of total and the largest component.

### Outstanding ECB Judgment Debt Component Amounts and Percentage of Total



**Table 2: DOF Inventory by Fiscal Year of Docket**

Fiscal Year of Docket Date	# of Summonses	Base Fine	Penalty	Interest	Total Amount Due
FY18 to Date	78,601	\$28,601,323	\$37,680,122	\$817,075	\$67,098,520
FY17	197,873	\$63,971,582	\$91,385,393	\$11,242,517	\$166,599,492
FY16	152,407	\$55,871,899	\$86,996,545	\$22,488,566	\$165,357,010
FY15	141,511	\$52,691,597	\$77,971,763	\$30,959,957	\$161,623,317
FY14	120,604	\$47,521,034	\$65,395,642	\$36,865,743	\$149,782,419
FY13	140,059	\$55,737,714	\$78,678,518	\$55,298,652	\$189,714,884
FY12	137,440	\$61,137,142	\$93,814,837	\$75,450,401	\$230,402,380
FY11	186,203	\$59,845,885	\$95,363,189	\$87,634,092	\$242,843,166
FY10	139,997	\$39,897,412	\$58,088,610	\$62,576,389	\$160,562,411
<b>Gross Total</b>	<b>1,294,695</b>	<b>\$465,275,588</b>	<b>\$685,374,619</b>	<b>\$383,333,392</b>	<b>\$1,533,983,599</b>
<b>Allowance for Bad Debt</b>					<b>\$719,000,000</b>
<b>Net Total</b>					<b>\$814,983,599</b>

**Table 3: DOF Inventory by Issuing Agency**

Issuing Agency	# of Summonses	Base Fine	Penalty	Interest	Total Amount Due
DOB	113,119	\$219,350,562	\$442,435,961	\$219,444,039	\$881,230,562
DSNY	987,267	\$111,244,761	\$136,072,675	\$85,191,490	\$332,508,926
FDNY	52,435	\$53,065,422	\$42,553,465	\$25,385,466	\$121,004,353
NYPD	49,586	\$31,850,239	\$9,280,255	\$18,344,703	\$59,475,197
DOT	23,369	\$15,826,868	\$23,921,298	\$12,221,530	\$51,969,696
DEP	13,798	\$11,499,676	\$20,628,653	\$10,445,765	\$42,574,094
DOHMH	29,713	\$18,140,865	\$2,863,625	\$7,828,036	\$28,832,526
Parks	22,253	\$3,223,627	\$6,133,052	\$3,395,711	\$12,752,390
Agency Missing	2,095	\$553,470	\$522,156	\$448,141	\$1,523,767
BIC	577	\$302,762	\$674,570	\$463,894	\$1,441,226
Landmarks	260	\$183,526	\$225,341	\$133,110	\$541,977
Seagate PD	191	\$22,245	\$42,293	\$16,209	\$80,747
Other Agency*	32	\$11,565	\$21,275	\$15,297	\$48,137
<b>Gross Total</b>	<b>1,294,695</b>	<b>\$465,275,588</b>	<b>\$685,374,619</b>	<b>\$383,333,392</b>	<b>\$1,533,983,599</b>
<b>Allowance for Bad Debt</b>					<b>\$719,000,000</b>
<b>Net Total</b>					<b>\$814,983,599</b>

\*Other Agency comprises Animal Care & Control, DCA, DCAS, DoITT, HPD, Hunts Point Development, and others, where total due was less than \$50K

## Part II Fiscal Year 2017<sup>2</sup>

### Item I and II: Total Number of Judgments Referred to the Department of Finance by the Environmental Control Board. Total dollar amount of judgments referred to the department, disaggregated by base penalty, interest, and default penalty.

During FY17 DOF received about 238,000 judgment violations from ECB for a total of \$200 million, including default penalties assessed against respondents for failing to appear at a hearing<sup>3</sup>.

**Table 4: FY17 Total Judgments Referred**

# of Summonses Referred	Base Fine	Penalty	Interest	Total Amount Due
238,338	\$79,412,260	\$107,673,422	\$13,607,532	\$200,693,214

**Table 5: FY17 Judgments Referred by Issuing Agency**

Issuing Agency	# of Summonses Referred	Base Fine	Penalty	Interest	Total Amount Due
DOB	22,339	\$34,155,499	\$58,059,096	\$6,700,302	\$98,914,904
DSNY	181,337	\$19,965,168	\$25,207,709	\$3,260,405	\$48,433,297
FDNY	10,424	\$11,333,708	\$8,738,918	\$1,438,256	\$21,510,878
DOT	7,267	\$5,475,586	\$7,848,403	\$1,050,565	\$14,374,557
DEP	4,233	\$2,739,011	\$3,960,830	\$478,340	\$7,178,179
NYPD	3,987	\$2,158,713	\$2,427,600	\$316,857	\$4,903,169
DOHMH	5,303	\$2,964,714	\$310,186	\$239,492	\$3,514,387
Parks	3,085	\$515,141	\$988,634	\$105,289	\$1,609,061
Agency Missing	270	\$46,170	\$70,640	\$8,269	\$125,079
Landmarks	34	\$33,100	\$36,706	\$5,722	\$75,529
Other **	59	\$25,450	\$24,700	\$4,036	\$54,186
<b>Grand Total</b>	<b>238,338</b>	<b>\$79,412,260</b>	<b>\$107,673,422</b>	<b>\$13,607,532</b>	<b>\$200,693,225</b>

\*\*Other includes BIC and Seagate PD

<sup>2</sup> All the data displayed in the tables below is as of 10/05/2017.

<sup>3</sup> Summonses referred to DOF with docket dates from 6/30/2016 through 5/31/2017 (last docket period for FY2017 is 5/31/2017) are considered as FY2017. We have excluded any write-offs or recalls.

### Item III: Average Length of Time for Referral of a Judgment from the Environmental Control Board to the Department of Finance

The average elapsed time from docketing to DOF referral was 1.26 days. This was calculated by taking a sample of three months and looking at the average violation transfer time from OATH to DOF.

### Item IV: Total Dollar Amount Collected by the Department for Judgments Referred During Preceding Fiscal Year

As of October 05, 2017, DOF collected more than \$25 million against violations that were referred to the agency during FY2017. This is reflected in Table 6. DOF generated \$23.6 million in revenue during FY17 and an additional \$2 million during the first few months of FY18. As of October 05, 2017, the collection rate for debt referred in FY2017 is 12.6%.

**Table 6: Revenue for violations docketed during FY17**

Payment Date by FY	# of Summons Paid	Length of Time Between Docket Date & Payment Date in Month Ranges					\$ Total Collected
		0-3M	4-6M	7-9M	10-12M	13-24M	
FY17	40,986	\$13,701,738	\$6,101,280	\$3,743,019	\$1,761,381	\$326,683	\$25,634,101

Payments on ECB Judgments Referred to DOF in FY2017 - Disaggregated by Issuing Agency are listed in Table 7.

**Table 7: Total Collected by DOF from 7/01/2016 until 10/05/2017**

Issuing Agency	# of Summonses Paid	Total Amount Collected
DOB	5,757	\$10,314,355
DSNY	25,607	\$5,128,011
FDNY	2,864	\$4,091,573
DOT	2,086	\$2,956,685
DEP	1,421	\$1,325,906
NYPD	1,327	\$1,189,807
DOHMH	1,672	\$557,794
Other*	252	\$69,970
<b>Total</b>	<b>40,986</b>	<b>\$25,634,101</b>

\*Other includes Parks, Landmarks, Seagate PD, BIC Agencies Missing



## Item V: Length of Time for Collection of Judgments on Referred Violations During FY2017

**Table 8**

Issuing Agency	Length of Time Between Docket Date & Payment Date in Month Ranges					\$ Revenue Collected
	0-3M	4-6M	7-9M	10-12M	13-24M	
DOB	\$5,577,516	\$2,491,761	\$1,467,120	\$684,039	\$93,918	\$10,314,355
DSNY	\$2,524,822	\$1,299,331	\$800,521	\$403,219	\$100,118	\$5,128,011
FDNY	\$2,375,690	\$964,174	\$397,098	\$266,848	\$87,763	\$4,091,573
DOT	\$1,354,217	\$639,056	\$671,234	\$272,975	\$19,202	\$2,956,685
DEP	\$868,102	\$228,985	\$177,904	\$35,424	\$15,492	\$1,325,906
NYPD	\$703,391	\$288,382	\$139,216	\$55,327	\$3,491	\$1,189,807
DOHMH	\$253,317	\$172,140	\$85,418	\$42,189	\$4,731	\$557,794
Other Agency*	44,684	\$17,450	\$4,507	\$1,360	\$1,968	\$69,970
<b>Grand Total</b>	<b>\$13,701,738</b>	<b>\$6,101,280</b>	<b>\$3,743,019</b>	<b>\$1,761,381</b>	<b>\$326,683</b>	<b>\$25,634,101</b>

\*Other Agency comprises those missing names, Landmarks, Seagate PD, and any of those displayed where revenue collected is less than \$100K.

## Item VI: Total Number of FY2017 Judgments That Require Corrective Action by Respondent<sup>4</sup>

The number of violations that require corrective action has remained fairly steady compared to FY16.

**Table 9**

Agency Name	# of Summonses	Base Fine	Penalties	Interest	Total Amount
DOB	21,576	\$32,097,481	\$53,589,360	\$6,217,959	\$91,904,800
FDNY	10,198	\$11,057,606	\$8,437,258	\$1,397,040	\$20,891,904
DEP	1,185	\$1,345,946	\$1,826,224	\$223,275	\$3,395,445
Landmarks	32	\$32,100	\$31,706	\$5,265	\$69,071
<b>Total</b>	<b>32,991</b>	<b>\$44,533,133</b>	<b>\$63,884,548</b>	<b>\$7,843,539</b>	<b>\$116,261,220</b>

<sup>4</sup> Summonses referred to DOF and placed in location 020555 -docketed during FY2017 from static table of FY2017 Docketed Judgments; includes uncollectible states; includes satisfied summonses; excludes anything recalled.

## Item VII: Enforcement Efforts Used by DOF to Collect Judgments in Item 4

The number of letters sent out significantly increased from 128,000 in FY16 to 295,000 in FY17 (a 130% increase).

**Table 10**

Enforcement Letters Sent FY17:		
Type	Count of Letter	Total \$ Addressed
DOF Initial letter	95,181	\$441,875,035
DOF Partial Payment & Payment Plan Letter	7,031	\$141,847,516
DOF NG-Check Letter	33	\$668,876
OCA* Demand Letter	192,512	\$497,964,928
<b>Total</b>	<b>294,757</b>	<b>\$1,082,356,354</b>

\* Outside Collection Agencies

ECB Testimony - Marshal and Sheriff executions issued 07-01-2016 to 06-30-2017

**Table 11**

FY2017			
Sheriff		Marshals	
# of Executions Issued	Amount Collected	# of Executions Issued	Amount Collected
33	\$6,187	1,480	\$1,891,426

## Item VIII: Total Number of Judgments Statutorily Expired by Issuing Agency

ECB judgment violations have a lifespan of eight years. Hence, violations that are older than eight years are considered expired and are excluded from the inventory. In Table 11, “FY09” judgment violations are considered expired, based on the above definition, and were excluded from the inventory.

FY10 through FY17 reflect judgment violations that were withdrawn and were excluded from the inventory as well.

**Table 12: Total Number of Judgments Expired by FY**

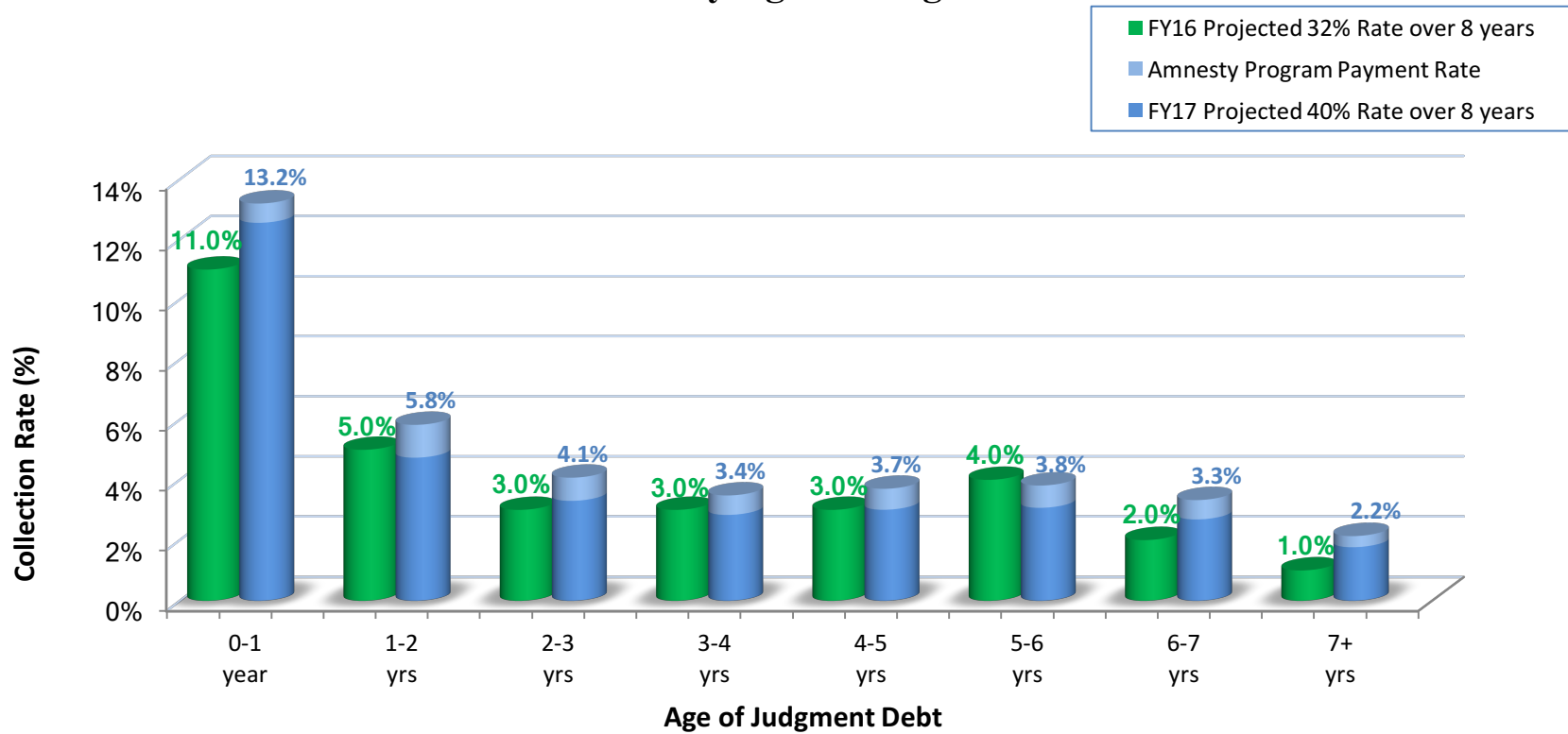
Fiscal Year of Docket Date	# of Summonses	\$ Amount Due
FY17	60	\$127,350
FY16	72	\$83,952
FY15	27	\$31,350
FY14	4	\$5,750
FY13	1	\$300
FY12	2	\$2,800
FY11	3	\$5,950
FY10	374	\$322,205
FY09	167,353	\$93,008,651
<b>Total</b>	<b>167,896</b>	<b>\$93,588,308</b>

**Table 13: Total Number of Judgments Expired by Issuing Agency**

Agency Name	# of Summonses	\$ Amount Due
DOB	12,843	\$38,656,494
DSNY	137,882	\$33,085,970
DOT	4,581	\$8,206,354
FDNY	5,077	\$7,070,870
DEP	726	\$2,986,514
Parks	5,577	\$1,826,574
NYPD	901	\$1,433,117
BIC	158	\$188,170
Other	151	\$134,146
<b>Total</b>	<b>167,896</b>	<b>\$93,588,208</b>

# Appendix A

## Collection Rate by Age of Judgment Debt\*



\* Payments received during FY17 for judgement debt that was received by DOF between FY10 and FY17. Revenue is broken down by age of judgment debt. The collection rate is the highest for the most recent fiscal year and it decreases as the debt gets older.