

NYC Department of Finance

**Annual Report on Environmental Control
Board (ECB) - Adjudicated Judgments**

November 2021

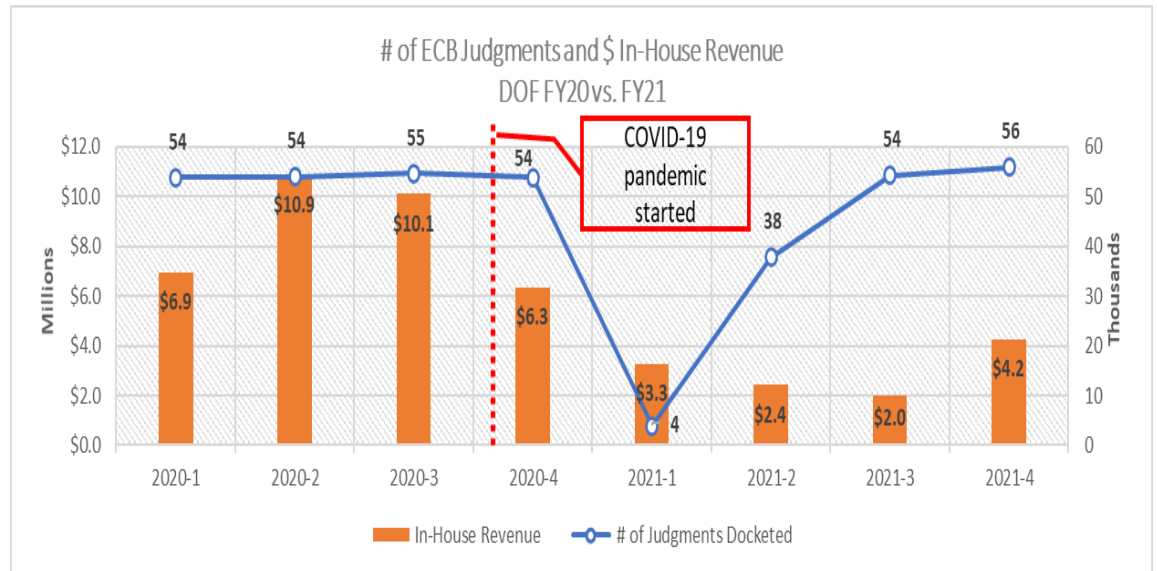
Introduction

Under Local Law 11 of 2015 the New York City Department of Finance (DOF) is required to report annually to the City Council on outstanding Environmental Control Board (ECB)-adjudicated judgments by November 1. ECB is an administrative court operated by the Office of Administrative Trials and Hearings (OATH) that hears cases on quality of life violations issued by various City agencies. ECB judgment debt results from notices of violation issued by these City agencies that are returnable to the ECB. If respondents do not attend an ECB hearing or if an ECB judge rules in favor of the applicable agency and the respondent does not pay, the violation is filed as a court judgment and referred to DOF for collection. DOF first attempts to collect this debt in-house using its own staff and then uses both city marshals and outside collection agencies if its in-house efforts are not successful. This report focuses on judgment debt referred to DOF the previous City Fiscal Year (FY), 2021.

Summary

Highlights of the enclosed report include:

- ECB collections stabilized in FY21 after they experienced a sharp decline in FY20 due to the COVID-19 pandemic. In FY21, DOF collected \$70.7 million, a decrease of \$1.6 million (2.1%) over the \$72.3 million collected in FY20. This was a much smaller decline than in FY20 when revenue declined from \$85.8 million to \$72.3 million (-15.7%). However, FY21 revenue was still higher than the FY15 to FY20 average of \$66.4 million per year and more than double the FY09 to FY14 annual average of \$35.7 million.
- The COVID-19 pandemic, which began to affect ECB collections during the last four months of FY20, continued to adversely impact ECB collections in FY21.
 - The number of judgments referred to DOF by OATH decreased 30%, from 218,781 in FY20 to 153,445 in FY21, as City agencies issued fewer violations during the pandemic. During the first three months in FY21, for example, DOF received an average of 2,000 judgments each month compared to 17,500 judgments each month for the remainder of FY21. In FY20, DOF received an average of 18,000 judgments every month.
 - DOF in-house efforts rely on notices sent to respondents informing them of their judgment debtor status, calls made to and received from respondents, and enforcement efforts such as placing City licenses and permits on hold. As a result of the decline in judgments referred to DOF by OATH, DOF in-house collection revenue dropped from \$34.2 million in FY20 to \$11.9 million in FY21.



- In March 2020, DOF stopped issuing legal execution referrals to city marshals and the City Sheriff to enforce ECB debt in recognition of the economic disruption caused by the pandemic. DOF issued an average of 113 legal executions for the first eight months of FY20. DOF did not resume issuing executions to city marshals until November 2020. Since that time, executions have been issued for respondents who owe more than \$10,000 in judgment debt; DOF issued an average of 48 legal executions per month for the remainder of FY21.
- Also in March 2020, DOF stopped placing Department of Transportation (DOT) permits on hold for permittees with outstanding ECB judgment debt. DOF did not resume the DOT permit suspension program until FY22, when its resumption was timed to coincide with the start of the FAIRER (Fines and Interest Reduction Enabling Recovery) ECB amnesty program. The FAIRER program was launched on September 20, 2021 and will run through March 20, 2022
- Despite the adverse impact of the COVID-19 pandemic, DOF was able to maintain the level of revenue as in FY20. The main reason for this was DOF collected \$21.8 million in FY21 using a third collection agency for ECB judgment debt. Previously, DOF had referred ECB debt to two successive collection agencies but adding a third collection agency and referring debt docketed on or prior to June 2019 yielded positive results. The additional revenue from the third collection agency offset a \$8.2 million decrease in revenue from DOF’s first and second collection agencies, which saw fewer referrals due

to decline in judgments referred to DOF by OATH. Overall, DOF saw a net increase of \$13.6 million in its collection agency revenue from FY20 to FY21.

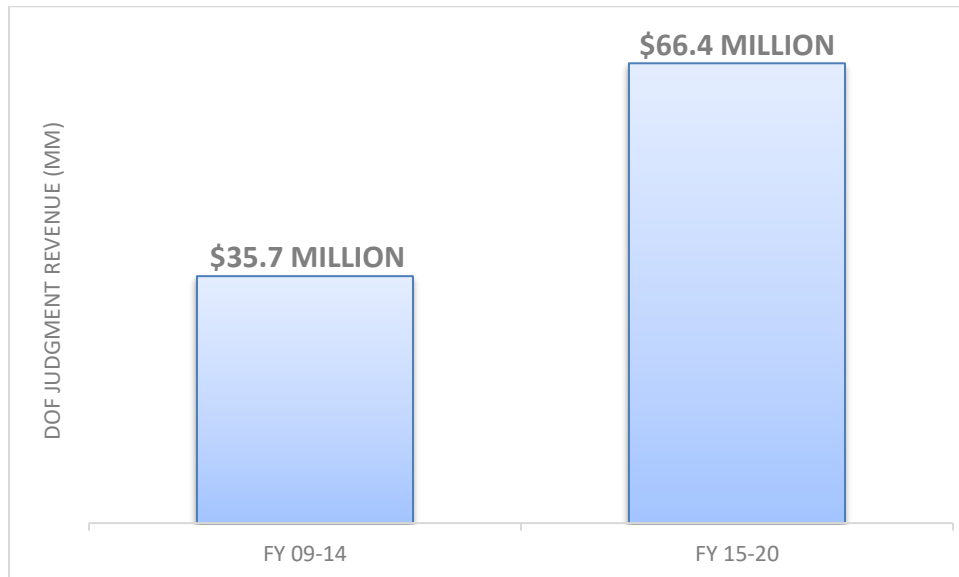
- Enforcement of ECB judgments by DOF was also impacted by vacancies in DOF’s Office of Legal Affairs, whose attorneys must review and approve execution referrals. The Department of Finance issued 63% fewer execution referrals and collected 66% less revenue from execution referrals in FY21 than in FY20. As mentioned above, a significant factor in the decline was the pause in issuance of execution referrals to city marshals from April 2020 to November 2020 in response to the economic disruption caused by the pandemic.

- The total value of outstanding ECB debt increased slightly from \$1.02 billion to \$1.08 billion. DOF refers ECB judgments to three successive collection agencies before placing uncollected judgments into an allowance for bad debt. In FY21, DOF’s allowance for bad debt decreased moderately as some of the potential FY21 bad debt inventory was referred to the third collection agency.

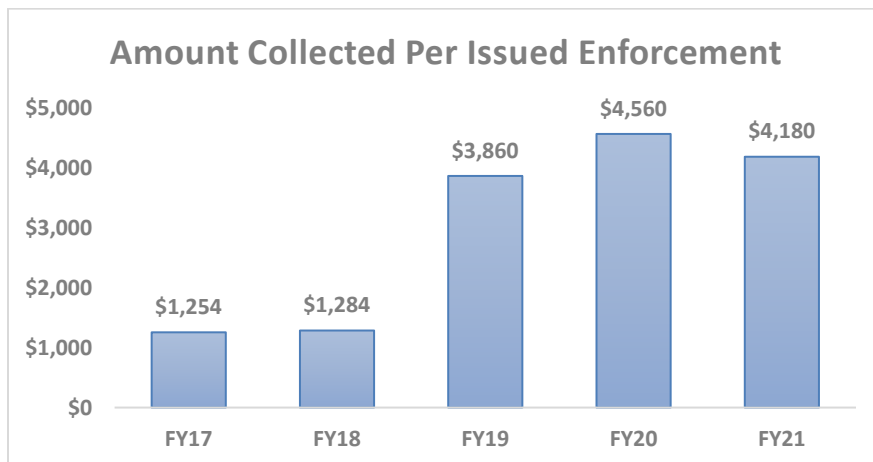
- DOF is poised to increase its ECB revenue in FY22.
 - DOF began its ECB amnesty program, FAIRER (Fine and Interest Reduction Enabling Recovery) on September 20, 2021. For respondents who adjudicated their violations, the program abates 75% of the base fine and interest for violations docketed during the pandemic (between March 7, 2020 and June 23, 2021) and abates 25% of the base fine and interest for violations docketed before the pandemic. For respondents who did not attend a hearing, FAIRER abates the default penalty and interest only.
 - DOF has resumed its programs to suspend permits and licenses issued by other city agencies for permittees and licensees with ECB to coincide with the FAIRER program. This allows permittees and licensees to take advantage of FAIRER discounts. DOF also started a pilot program with the Department of Consumer and Worker Protection (DCWP) in FY22 to identify, and pursue debt collection from, license holders with the largest amounts of outstanding ECB judgment debt.
 - DOF has begun to convert some of DOB-issued ECB judgments into property liens as authorized by the NYC Administrative Code. In FY 21, DOF used a title search firm to ensure property notification of interested parties and its own manual processing to convert 430 violations to property liens totaling \$4.5 million. DOF also received \$260,000 in payments in FY21 from owners who were notified about the lien conversions. DOF is working with NYC Opportunity and OATH to obtain Office of Court Administration (OCA) information on judgment creditors to automate its processing and increase the number of ECB judgments converted to property liens.

FY21 Overview

- Department of Finance FY21 ECB judgment collection efforts were successful, despite the impact of COVID-19 pandemic. In FY21, the agency collected \$70.7 million. This was \$1.6 million (-2.1%) lower than the \$72.3 million collected in FY20, but \$3.7 million (5.5%) higher than the average of \$66.4 million collected from FY15 through FY20. This continues a trend over the last several years. In the six-year period from FY15 through FY20, revenue averaged \$66.4 million per year, an 86% increase over the \$35.7 million in the preceding six-year period from FY09 through FY14, as shown in the chart below.



Part of this success is attributable to the deterrent effect of productive enforcement efforts. Despite the substantial decrease in total issuance and revenue collected in FY21 mostly due to COVID-19, average collected revenue (amount collected per issued enforcement) has remained above \$3,800 since FY19. In FY21, DOF collected \$4,180 per issued execution. This is 8% less than the average revenue collected in FY20 (\$4,560), but 8% more than FY19 (\$3,860) and 225% more than FY18 (\$1,284).



Other initiatives contributed to the success of FY21 revenue. Following the success of the FAIRER Program, DOF continued to make it possible for eligible respondents to settle and pay ECB judgment debt online by waiving their right to appeal.

In FY21, the total value of the inventory of ECB debt slightly increased. At the close of FY21, the total value of outstanding ECB judgment debt was \$1.08 billion, up from \$1.02 billion at the close of FY20.

DOF includes an allowance for bad debt in its calculation of the value of ECB judgment debt. The allowance for bad debt reflects the fact that 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 experienced financial hardship. Judgments included in the allowance for bad debt are not written off. The judgments remain in effect for eight years in case the respondent decides to pay. The total amount of the allowance for bad debt at the close of FY21 was \$253 million, down 17% from \$305 million in FY20. When subtracted from the total ECB judgment inventory (including bad debt) of \$1.34 billion, it gives us the current value of the debt (\$1.08 billion).

The decline in the allowance for bad debt in FY21 was caused by two factors. First, most of the judgments comprising the bad debt allowance amount from FY20 reached the eight-year statute of limitations during FY21 and were written off. The second factor was that some of the bad debt allowance from FY20 was reclassified from bad debt to collectible debt in FY21 because DOF changed its definition of bad debt in FY21. In FY21, DOF increased the number of collection agencies it uses to collect ECB judgments from two to three. The three collection agencies work the debt in succession. DOF now requires that ECB judgment debt be worked by all three agencies before it can be classified as part of the bad debt allowance. Therefore, in FY21 DOF reclassified debt that had been worked by two collection agencies but not the third collection agency as collectible debt.

Collection Rates

Since DOF’s collection efforts are part of a larger process of issuing and collecting ECB violations (see page A-5 for a process flow chart), the following table shows the collection rate for the first year after a violation is issued by a city agency, including both pre-judgment and post-judgment collections. In FY21, the one-year collection rate was 61.6%.

# of Summonses Issued	516,000
# of Summonses Paid	318,000
-Before Judgment	300,000
-After Judgment	18,000
Collection Rate	61.6%

DOF also calculates a post-judgment collection rate. The first-year collection rate of an unpaid ECB violation after it is docketed as a judgment and referred to DOF was 13.3% in FY21. This is slightly higher than the 13.0% first-year collection rate in FY20.

Other FY21 Highlights

- In FY21, OATH referred 153,445 violations to DOF totaling \$248.8 million, including \$128.2 million (51.5%) in default penalties and \$10.0 million (4.0%) in interest. The number of judgments referred to DOF during FY21 decreased by 65,336 (29.9%), and the dollar amount of judgments decreased by \$30.9 million (11.1%) compared to FY20.
- The number of docketed violations paid in FY21 decreased by 14,165 (35.1%) from 40,363 in FY20 to 26,198 in FY21. The dollar amount of docketed violations paid in FY21 decreased by \$7.8 million (21.5%) from \$36.3 million in FY20 to \$28.5 million in FY21.
- The number of docketed violations paid during FY21 decreased for Department of Buildings violations (from 8,837 in FY20 to 6,680 in FY21), for Fire Department (FDNY) violations (from 4,081 in FY20 to 3,460 in FY21), for Department of Sanitation (DSNY) violations (from 22,272 in FY20 to 12,752 in FY21) and for Department of Transportation (DOT) violations (from 2,010 in FY20 to 1,654 in FY21).
- The number of collection letters sent out by DOF and its collection agencies increased from 397,000 in FY20 to 578,000 in FY21. This was mainly due to the initial assignment of the aged debt to the third outside collection agency and the resulting increase in the number of demand letters sent in FY21.
- The dollar amount of judgment violations that statutorily expired and were removed during FY21 was \$115.5 million. These judgments are distinct from violations included in the allowance for bad debt category. Eight years after docketing, they are no longer in effect.

Part I: Department of Finance 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 \$253 million.

Table 1: Total Outstanding Inventory and Its Components

# of Summonses	Base Fine	Default Penalty	Interest	Total Inventory Before Allowance for Bad Debt	Allowance for Bad Debt	Total Amount Due
1,008,859	\$454,864,749	\$576,944,681	\$305,554,013	\$1,337,363,443	\$253,027,508	\$1,084,335,935

As outlined in the pie chart below, default penalties for failure to attend a hearing which exclude judgments in the allowance for bad debt, are \$475 million, 44% of the total, and the largest component.

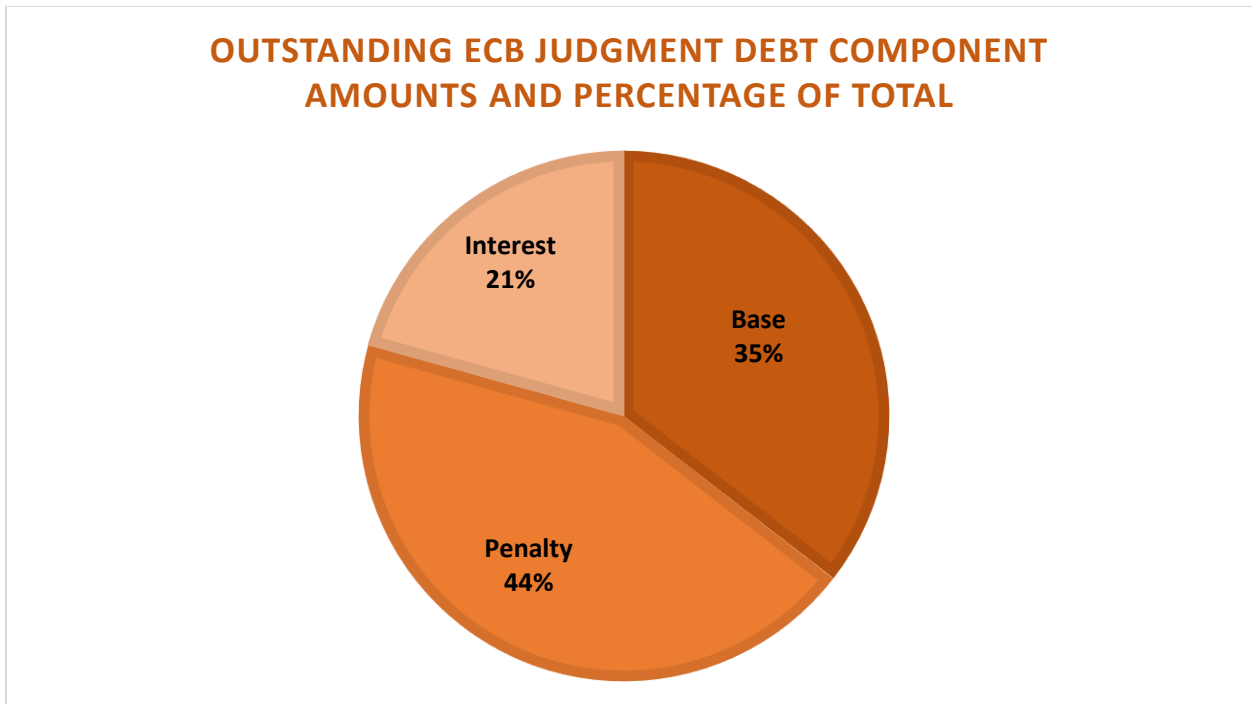


Table 2: DOF Inventory by Fiscal Year of Docket¹

Fiscal Year of Docket Date	# of Summonses	Base Fine	Default Penalty	Interest	Total Amount Due
FY22 to Date	14,054	10,858,831	12,325,161	194,028	23,378,020
FY21	120,223	83,217,366	104,996,193	7,669,721	195,883,280
FY20	153,886	84,241,304	101,278,910	26,825,480	212,345,694
FY19	136,888	66,040,977	82,287,143	34,589,939	182,918,059
FY18	88,531	31,034,565	38,486,024	22,388,345	91,908,934
FY17	90,906	27,456,297	35,304,765	26,139,543	88,900,605
FY16	81,387	29,247,344	38,647,094	34,426,729	102,321,167
FY15	84,619	29,062,277	35,208,626	38,056,097	102,327,000
FY14	60,870	23,722,486	26,644,263	33,986,427	84,353,176
Total	831,364	384,881,447	475,178,179	224,276,309	1,084,335,935

Table 3: DOF Inventory by Issuing Agency¹

Department of Buildings default penalties and interest account for \$428.3 million (39.5%) of the total value of outstanding judgment debt.

Issuing Agency	# of Summonses	Base Fine	Default Penalty	Interest	Inventory Amount
DOB	95,633	218,200,377	308,193,564	120,098,136	646,492,077
DSNY	600,548	69,198,595	89,988,133	50,272,832	209,459,560
FDNY	48,511	53,979,385	35,704,854	25,147,720	114,831,959
DEP	10,353	9,173,893	15,768,972	7,781,991	32,724,856
DOT	14,514	9,431,851	13,148,465	6,224,077	28,804,393
NYPD	23,035	9,006,117	6,734,194	5,477,952	21,218,263
DOHMH	16,881	11,709,063	1,154,507	5,995,770	18,859,340
Parks	20,422	3,255,863	3,990,456	2,903,453	10,149,772
BIC	178	238,369	238,840	142,770	619,979
Other Agency*	1,289	687,934	256,194	231,607	1,175,735
Total	831,364	384,881,447	475,178,179	224,276,309	1,084,335,935

* Other Agency comprises Landmarks, DCA, DCAS, DoITT, Animal Care & Control, Mayor's Office of Midtown Enforcement, Seagate PD, Ports & Terminals, Hunts Point Development, and others where total due was less than \$600K.

¹ Excludes allowance for bad debt of \$253 million. (See Table 1.)

Part II Fiscal Year 2021²

Items I and II: Total Number of Judgments Referred to the Department of Finance by OATH. Total dollar amount of judgments referred to DOF, disaggregated by base penalty, interest, and default penalty.

During FY21, DOF received 153,445 judgment violations from OATH for a total of \$248.8 million, including default penalties assessed against respondents for failing to appear at a hearing.³ There were 65,336 (29.9%) fewer judgments than the 218,781 judgments referred in FY20. The dollar amount of new referrals decreased from \$279.8 million in FY20 to \$248.8 million (11.1%) in FY21. The reduction in the number of newly referred judgment violations was due to decreases in summonses issued by most of the issuing agencies: The Sanitation Department (DSNY), Department of Buildings (DOB), and Department of Environmental Protection (DEP) which decreased by 53,929 (36.7%), 5,683 (15.9%), and 1,491 (51.4%) respectively. The total amount due from violations issued by these three agencies decreased by \$30.2 million, which was 97.7% of the total dollar amount decrease in FY21 from FY20. The Department of Transportation (DOT) issued an additional 1,219 (16.6%) summonses in FY21 compared to FY20[?].

Table 4: FY21 Total Judgments Referred

# of Summonses Referred	Base Fine	Default Penalty	Interest	Total Amount Due
153,445	\$110,543,771	\$128,253,606	\$10,028,623	\$248,826,000

Table 5: FY21 Judgments Referred by Issuing Agency

Issuing Agency	# of Summonses Referred	Base Fine	Default Penalty	Interest	Total Amount Due
DOB	30,159	\$73,448,528	\$91,951,680	\$6,763,789	\$172,163,997
FDNY	14,411	\$16,249,263	\$9,076,422	\$1,152,765	\$26,478,450
DSNY	92,874	\$9,938,219	\$14,914,887	\$1,160,845	\$26,013,951
DOT	8,557	\$6,257,755	\$7,008,833	\$553,122	\$13,819,710
DEP	1,411	\$1,810,352	\$2,540,420	\$179,331	\$4,530,103
NYPD	2,436	\$1,806,046	\$2,370,972	\$160,052	\$4,337,070
DOHMH	1,223	\$384,070	\$167,819	\$26,447	\$578,336
Parks	2,080	\$262,877	\$127,367	\$16,082	\$406,326
Mayor's Office of Midtown Enforcement	133	\$192,016	\$40,020	\$7,189	\$239,225
BIC	27	\$166,200	\$30,150	\$7,228	\$203,578
Other Agency*	134	\$28,445	\$25,036	\$1,773	\$55,254
Total	153,445	\$110,543,771	\$128,253,606	\$10,028,623	\$248,826,000

* Other Agency includes Landmarks, Seagate PD, and others where total due was less than \$50,000.

² All the data displayed in the subsequent tables, except for tables 7 and 8, are as of 08/03/2021.

³ Summonses referred to DOF with docket dates from 06/30/2020 through 05/31/2021 (last docket period for FY2021 is 05/31/2021) are considered as FY2021. We have excluded any recalls. Recalls are cases where a respondent requested a hearing and was granted one by OATH. The number of recalls is small.

Item III: Average Length of Time for Referral of a Judgment from OATH to DOF

The average elapsed time from docketing to DOF referral was 2.3 days in FY21.⁴

Item IV: Total Dollar Amount Collected by DOF for Judgments Referred During Preceding Fiscal Year

As of October 4, 2021, DOF collected \$33 million against violations that were referred to the agency during FY2021. This is reflected in Table 6. As of October 4, 2021, the first-year collection rate for newly referred debt in FY2021 is 13.3%.

Table 6: Revenue for Violations Docketed During FY21

Payment Date by FY	# of Summonses Paid	Length of Time Between Docket Date & Payment Date in Month Ranges					\$ Total Collected
		0-3M	4-6M	7-9M	10-12M	13-24M	
FY21	31,604	\$19,031,969	\$8,631,239	\$3,784,526	\$1,105,695	\$438,528	\$32,991,957

Payments on ECB judgments referred to DOF in FY21 disaggregated by issuing agency are listed in Table 7.

⁴ We took a sample of three months and looked at the average time that it takes for a violation to be received by DOF.

Table 7: Total Collected by DOF from 7/01/2020 until 10/04/2021

Issuing Agency	# of Summonses Paid	Total Amount Collected
DOB	7,876	\$19,960,465
FDNY	3,968	\$5,353,207
DSNY	15,915	\$2,840,689
DOT	1,859	\$2,490,835
NYPD	848	\$1,339,916
DEP	451	\$828,560
DOHMH	409	\$114,994
Other*	278	\$63,291
Grand Total	31,604	\$32,991,957

* Other Agency includes Parks, Mayor’s Office of Midtown Enforcement, Landmarks, BIC, Seagate PD, and others where total due was less than \$50,000.

Item V: Length of Time for Collection of Judgments on Referred Violations during FY2021

Table 8: Time Between Docket Date and Payment from 7/01/2020 until 10/04/2021

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	\$11,463,744	\$5,056,230	\$2,474,857	\$699,204	\$266,430	\$19,960,465
FDNY	\$3,196,989	\$1,351,849	\$488,984	\$228,535	\$86,850	\$5,353,207
DSNY	\$1,535,259	\$757,437	\$382,988	\$109,582	\$55,424	\$2,840,689
DOT	\$1,368,879	\$872,377	\$200,762	\$35,539	\$13,278	\$2,490,835
NYPD	\$858,167	\$360,166	\$106,998	\$8,875	\$5,710	\$1,339,916
DEP	\$516,936	\$185,925	\$103,197	\$14,907	\$7,595	\$828,560
DOHMH	\$48,116	\$34,583	\$21,278	\$7,777	\$3,241	\$114,994
Other*	\$43,878	\$12,674	\$5,462	\$1,276	\$0	\$63,291
Grand Total	\$19,031,969	\$8,631,239	\$3,784,526	\$1,105,695	\$438,528	\$32,991,957

* Other Agency includes Parks, Mayor’s Office of Midtown Enforcement, Landmarks, BIC, Seagate PD, and others where total due was less than \$50K.

Item VI: Total Number of FY2021 Judgments that Require Corrective Action⁵

The number of violations that require corrective action decreased (17%) compared to FY20.

Table 9: FY21 Referred Judgments Requiring Corrective Action by Issuing Agency

Agency Name	# of Summonses	Base Fine	Default Penalty	Interest	Total Amount Due
DOB	27,742	\$66,820,383	\$78,743,351	\$5,921,154	\$151,484,888
FDNY	13,691	\$15,315,019	\$8,385,597	\$1,073,584	\$24,774,200
DEP	947	\$1,453,351	\$1,836,924	\$131,516	\$3,421,791
Landmarks	2	\$4,000	\$2,000	\$196	\$6,196
Grand Total	42,382	\$83,592,753	\$88,967,872	\$7,126,450	\$179,687,075

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

The number of letters sent out increased from 397,000 in FY20 to 578,000 in FY21 (a 45% increase).

Table 10: Collection Letters Sent in FY21 By Letter Type

Enforcement Letters Sent FY21:		
Type	Count of Letter	Total \$ Addressed
DOF Initial Letter	80,650	\$458,364,713
DOF Partial Payment & Payment Plan Letter	6,326	\$161,199,488
DOF Letters in Response to Bounced Checks	7	\$39,205
DOF Legal Affairs Demand Letters	10,066	N/A
OCA* Demand Letter	480,864	\$682,586,165
Total	577,913	\$1,302,189,571

* Outside Collection Agencies

⁵ Summonses referred to DOF and placed in location 020555 or location 020566 with Aim Source = B docketed during FY2021 from static table of FY2021 Docketed Judgments; includes uncollectible states and satisfied summonses; excludes anything recalled.

Table 11 shows the marshal and sheriff executions issued during FY21. Most executions are referred to city marshals but in a limited number of special situations, DOF issues to the Sheriff's Office.

Table 11: Legal Executions Issued by Fiscal Year

FY	# of Executions Issued			Amount Collected		
	Sheriff	Marshals	Total	Sheriff	Marshals	Total
2021	0	381	381	\$ 61,282	\$ 1,532,161	\$ 1,593,443
2020	270	753	1,023	\$ 642,339	\$ 4,021,995	\$ 4,664,334
2019	495	1,997	2,492	\$ 544,316	\$ 9,075,742	\$ 9,620,058
2018	119	1,894	2,013	\$ 86,300	\$ 2,499,159	\$ 2,585,459
2017	33	1,480	1,513	\$ 6,187	\$ 1,891,426	\$ 1,897,613

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

ECB judgment violations have a lifespan of eight years; violations that are older than eight years have expired and are excluded from the inventory. In Table 12, FY13 judgment violations are considered expired, based on the above definition, and were excluded from the inventory.

FY14 through FY21 figures also reflect judgment violations that were withdrawn by issuing agencies and were excluded from the inventory as well.

Table 12: Total Number of Judgments Statutorily Expired and Withdrawn by FY

Fiscal Year of Docket Date	# of Summonses	\$ Amount Due
FY21	70	\$122,250
FY20	184	\$210,495
FY19	43	\$40,988
FY18	51	\$50,210
FY17	65	\$46,275
FY16	32	\$19,978
FY15	14	\$39,800
FY14	7	\$16,600
FY13	127,216	\$114,912,914
Total	127,682	\$115,459,510

Table 13: Total Number of Judgments Expired by Issuing Agency

Agency Name	# of Summonses	\$ Amount Due
DOB	8,985	\$69,522,726
DSNY	100,816	\$24,908,825
FDNY	4,052	\$7,900,022
NYPD	6,580	\$5,240,750
DEP	953	\$2,848,514
DOT	1,273	\$2,192,322
DOHMH	2,440	\$1,715,526
Parks	2,296	\$927,439
Other *	287	\$203,385
Total	127,682	\$115,459,510

* Other Agency includes Landmarks, DCAS, Seagate PD, DCA, and others.

What is ECB?

THE ENVIRONMENTAL CONTROL BOARD (ECB)

is a part of the Office of Administrative Trials and Hearings (OATH).

It is an administrative court - not part of the state court system.

ECB judges hear cases on violations of the City's laws that protect the City's quality of life.

Types of ECB Violations

These violations come from over a dozen different agencies and include:

- Dirty sidewalks
- Littering
- Failure to remove snow and ice
- Posting of posters or signs where they are not permitted
- Work without a permit from the Department of Buildings (DOB)
- Failure to comply with DOB building code
- Failure to file a Certificate of Correction with DOB
- Failure to comply with a DOB order

Types of ECB Debt

There are two types of ECB Debt

COMPLIANCE- \$776.9 million*

- Requires a correction to be made to rectify the violation.

NON-COMPLIANCE- \$307.4 million

- Does not require corrective action.

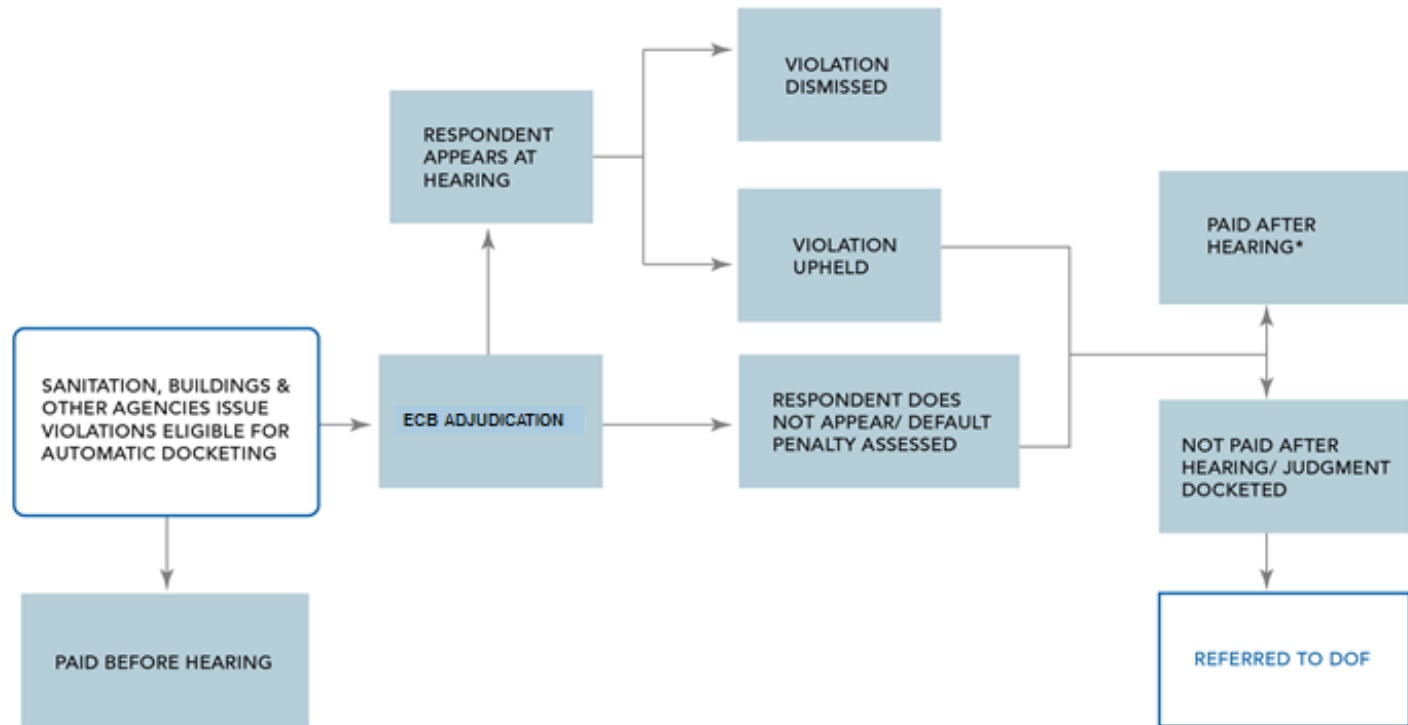
* As of October 2021

Pre-DOF Process Key Points

- Violations are issued against property owners, business lessees, contractors, or pedestrians. Summonses do not indicate the entity type.
- Each violation requires an affidavit of service
- Respondents are entitled to due process, including contestation of proper service, prior to DOF referral
- Most violations are resolved prior to DOF referral; 58% paid and 7% dismissed at hearing¹. The planned target pre-judgment revenue in FY21 is \$126 million.
- About 80% of the violations referred to DOF have large penalties imposed for failure to attend a hearing. In some instances, the penalties can quintuple to the base fine amount. Base fines only constituted 44% of the amount referred in FY21.

¹ FY2021 Data

Context: Pre-DOF Process Overview



* For Paid After Hearing, the Criminal Justice Reform Act violations may be addressed via community service

Hearings for ECB Violations

- For both Compliance or Non- Compliance violations, ECB holds a hearing.
 - If the respondent attends the hearing and is found guilty:
 - The judgement amount is the base fine.
- Default means the respondent did not attend a hearing at ECB.
 - If respondent failed to appear for a hearing:
 - ECB imposes a default penalty.
 - Judgment amount is the base fine plus the default penalty.
 - Default penalty can be significantly more than the base fine.
- Docketed means the violation is in judgment and has been entered into the court's records.
 - Interest begins to accrue on the judgment amount once a violation is docketed.

DOF Challenges

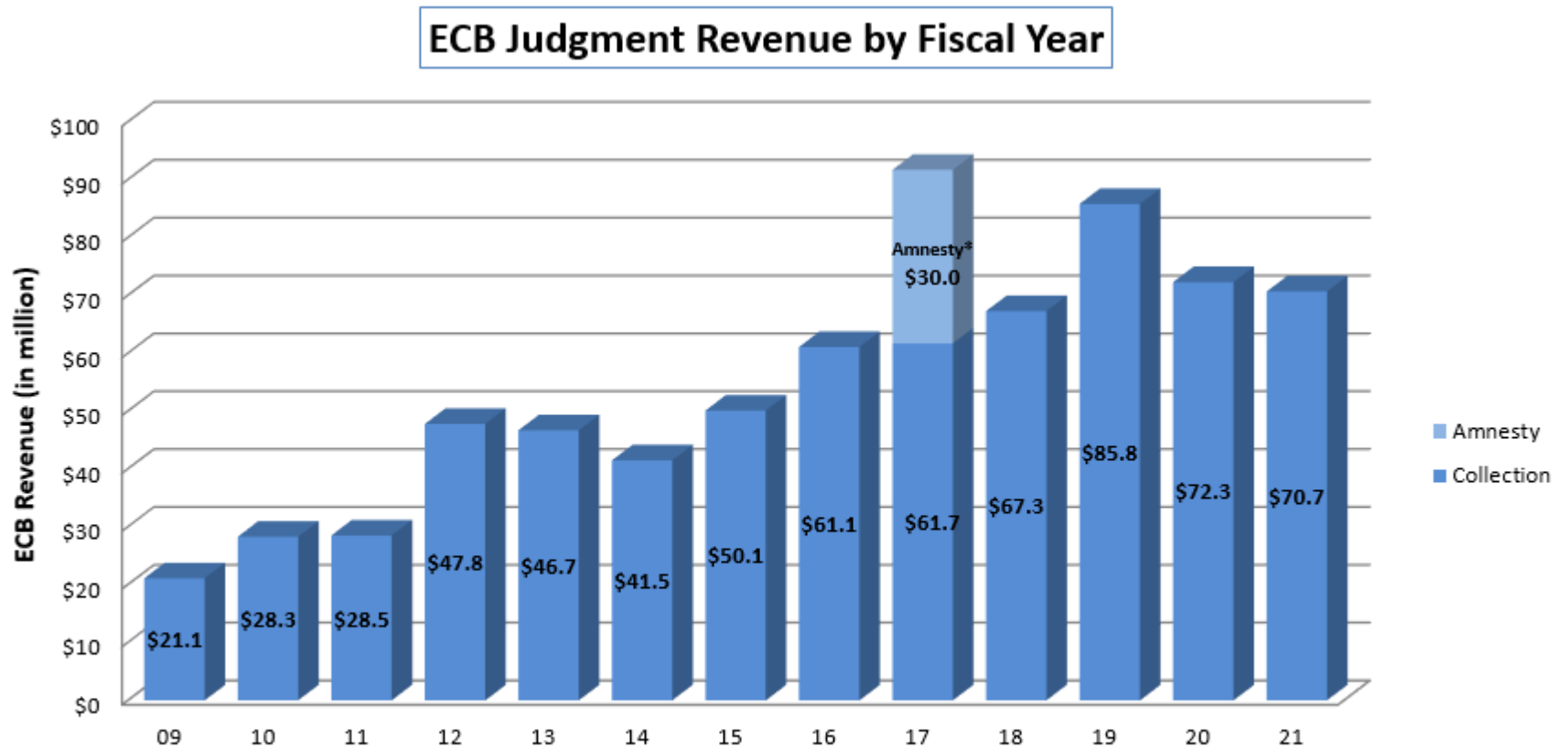
- **Nature of the debt** ECB judgments are not always issued against property owners and those that are can only become property liens under certain circumstances. In contrast, property liens attach directly to a property and must be paid during property transfers, making them a more effective collection device.
- **LLCs** Many properties are held in the name of LLCs. Each LLC is only legally responsible for its own obligations (i.e., judgments filed under its name). The LLCs make it difficult to aggregate the debt when the beneficial owners of the LLC are not known and/or when a landlord has a different LLC “owner” for separate properties.
- **Affidavit of Service** Each violation has an affidavit of service to show that the respondent was properly served with the violation. When a respondent claims that they have not been served with the violation, the affidavit of service may be the basis for the respondent challenging the underlying violation. Verification of service prevents DOF from enforcing against multiple respondents at the same time as it does when booting vehicles for parking ticket debt.

Other Challenges

ECB violations are difficult to collect because:

- Businesses often go out of business/file for bankruptcy and some owners reincorporate in a new name to avoid judgments.
- Respondents who passed away.
- Violations are written to incorrect name or to an entity that has no legal connection to the property.
- Often the violation is handwritten and data entered manually.
- Human error – name misspellings or typos
- There is no unique identifier for the violations such as:
 - EIN or SSN for the respondent
 - Borough, Block, and Lot (BBL) for the property

Appendix B: ECB Judgment Revenue FY09 – FY21



* DOF collected \$45 million from its Forgoing Fines amnesty program in FY17. We estimate that \$30 million was a one-time extraordinary increase in revenue and that \$15 million would have come in from regular collection activities that were reduced so staff could perform amnesty-related activities.

Appendix C: ECB Judgment Collection Rate

ECB Judgment First-Year Collection Rate By Fiscal Year	
Fiscal Year	First Year Collection Rate*
15	8.8%
16	11.1%
17 **	12.8%
18	11.7%
19	15.3%
20	13.0%
21	13.3%

* Derived by dividing FY revenue for new referrals by the FY new referrals. NOTE: First-year collection rates that appeared in previous versions of the Local Law 11 Report were found to have an error. The rates shown here correct the previously reported first-year collection rates.

** We were unable to estimate the impact of amnesty on the FY17 first-year collection rate. Very few first year judgments were eligible for amnesty but some amnesty applicants paid for both amnesty eligible and for newer judgments.