THE CITY OF NEW YORK
INDEPENDENT BUDGET OFFICE
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March 7, 2011

Council Member Gale A. Brewer
Council of the City of New York
250 Broadway
Room 1744
New York, NY 10007

Dear Council Member Brewer:

At your request, IBO has compiled data on delinquent account balances. IBO found that the city has about $1.3 billion in delinquent accounts for property taxes, charges, fees, and fines registered between 2007 and 2009. We did not include older delinquencies as the likelihood of collection decreases with time. Conversely, we did not include delinquencies for charges from 2010 because a certain portion of those balances will be collected by the city in 2011 without any additional effort. Moreover, differences in how balances are recorded across different agencies would have made the inclusion of 2010 data difficult. Furthermore, some portion of delinquent accounts is uncollectable, for example, the respondent is deceased, the company has shut down, or the respondent was improperly identified.

There are a number of city agencies responsible for trying to collect delinquent account balances. The Environmental Control Board (ECB) is an administrative tribunal charged with adjudicating cases for violations issued by many city agencies. Currently, $439.7 million in fines adjudicated by ECB from 2007 through 2009 remains unpaid. Another $325.5 million in outstanding balances are for unpaid fees, fines, and taxes levied against properties and recorded in the Department of Finance Open Balance File. Unpaid parking tickets and red light camera tickets total $307.5 million, with 90.6 percent of that for parking tickets. Roughly $150 million is unpaid for ambulance transportation provided by the Emergency Medical Service (EMS) and billed by the fire department (FDNY), more detailed charges for specific years were not provided by the department. The remaining $46.7 million represents unpaid fines for violations issued by the Department of Health and Mental Hygiene which has its own administrative tribunal for certain violations. A more detailed discussion of the source of these delinquent accounts follows.

Some outstanding charges are gradually paid, so that the amount outstanding from 2007 is lower than the amount outstanding from 2008 and 2009. The city will collect some portion of the outstanding balances in the regular course of business, though the rate of collection decreases as the charges age. Certain charges, such as delinquent property taxes, housing department Emergency Repair Charges, and buildings department violations appear on a title search and unpaid balances are often paid to remove the liens before the sale or transfer of a property. Additionally, the city sells certain liens for collection, such as property taxes and water and sewers bills, and recently expanded to include Emergency Repair Charges, thus removing them from the roll of unpaid charges. Lastly, the figures reported here are

accurate as of the date the balances were tabulated, as noted in the figures. Current balances would be slightly different as they would reflect payments that were received and new interest charges applied to unpaid balances.

Selected Delinquent Account Balances for Charges Registered 2007 Through 2009

Dollars in millions

	2007	2008	2009	TOTAL
Environmental Control Board	$126.8	$145.5	$167.4	$439.7
Building/Property Related via DOF Open Balance	63.8	94.6	167.2	325.5
Parking Tickets	68.6	79.2	129.4	277.2
Red Light Tickets	9.2	10.9	10.2	30.3
Fire Department EMS Transport Fees	50.0	50.0	50.0	150.0
Department of Health and Mental Hygiene	16.0	16.6	14.0	46.7
TOTAL	**$334.4**	**$396.7**	**$538.3**	**$1,269.4**

SOURCES: IBO; Department of Finance; Department of Health and Mental Hygiene; Department of Transportation; Fire Department; Office of Administrative Trials and Hearings
NOTES: Open Balance, most ECB data, and Parking Ticket data as of September 2010; additional ECB Data as of December 2010; Red Light Camera data as of August 2010; and Department of Health and Mental Hygiene data as of October 2010. Fire Department Transport Fees as of January 2011. The Fire Department did not provide IBO with a more detailed estimate of unpaid fees for patient transportation provided by the Emergency Medical Service (EMS). Excludes delinquent water and sewer accounts under collection by the Department of Environmental Protection.

Sources of Delinquent Accounts that Were Not Included. Although the Department of Environmental Protection (DEP) reported that $220.4 million in water and sewer charges were more than one year delinquent as of June 30, 2010 these charges are not included in IBO's estimate of delinquent account balances. IBO excluded the delinquent DEP charges because collection of those charges would affect water and sewer rates rather than the city's operating budget. Moreover, unlike the numbers reported above, the DEP figure includes all accounts over a year past due, including charges incurred before 2007.

IBO also did not include sales, income, and business taxes in the analysis. Unlike property taxes, where the city issues a bill to property owners, sales, income and business taxes are based on income reported by the entity. Therefore, most underpayment is not a function of unpaid charges registered by the city, but rather of underreporting of income. As a result, while there is certainly underpayment of these taxes, adequately estimating how much has gone uncollected in recent years is beyond the scope of this analysis.

DELINQUENT ACCOUNT BALANCES BY COLLECTION CATEGORY

IBO looked more closely at the outstanding balances for each of these collection categories. About three-quarters of the unpaid fines adjudicated by the Environmental Control Board are for violations written by the Department of Buildings or the Department of Sanitation (DSNY). In the property-based Open Balance File, 76.9 percent of delinquent amounts are related to property taxes and 19.8 percent are for emergency repairs in buildings completed by the city's housing department. Unpaid parking tickets account for more than one-fifth of all delinquencies.

Environmental Control Board. The largest group of unpaid fees and fines are those adjudicated by the Environmental Control Board. According to the board's "Green Book," ECB adjudicated over 700,000 tickets in 2009. Collections in 2009 were just over $100 million, though this figure represents all payments received in 2009 and therefore includes payments for fines levied in other years.

The Environmental Control Board represents 34.6 percent of uncollected charges from 2007 through 2009. Prior to 2010, most ECB fines were referred to the Department of Finance for collection through its Computer Assisted Collection System, though ECB itself handled billing of a small share of fines. As of 2010, ECB has begun referring all fines to DOF for collection. Of the $439.3 million delinquent for ECB fines, 93.2 percent is under collection by the Department of Finance. Of the total outstanding for ECB, about $167.4 million (38.1 percent) is outstanding for fines issued in 2009, as of September 2010. An additional $126.8 million and $145.5 million are outstanding for fines issued in 2007 and 2008, respectively.

Unpaid ECB Fines by Issuing Agency. Since ECB adjudicates summonses issued by a number of city agencies, IBO looked at outstanding fines from 2007 to 2009 by issuing agency, regardless of whether DOF was responsible for collection. The largest category of unpaid ECB fines, 45.7 percent, is those issued by the Department of Buildings. These fines are generally for building code violations, with uncollected revenue from 2007 to 2009 of $200.9 million.

The second largest category of unpaid fines, at 30.5 percent, is those issued by the Department of Sanitation, totaling $134.1 million for tickets issued between 2007 and 2009. ECB subdivides these violations based on who issued the ticket, though the detail was not provided for fines being billed by ECB, which total just $1 million. Sanitation department enforcement (tickets issued by civilian DSNY employees for violations such as illegal posting or dirty sidewalks) is the largest component, at $63.2 million. Unpaid recycling fines from 2007 through 2009 total $10.7 million, while tickets written by DSNY Police are $9.8 million (these primarily include illegal dumping, theft of recycling, medical waste, and asbestos disposal violations). The remaining $49.4 million is comprised of other tickets issued by the sanitation department, including those issued by DSNY supervisors who may write any DSNY ticket.

Nearly 8.5 percent of outstanding ECB fines are for unpaid tickets issued by the Department of Transportation (DOT) between 2007 and 2009, totaling $37.2 million. The transportation department issues tickets for violations such as street openings without permits, inadequate or inappropriate sidewalks or roadways, or violations dealing with newspaper racks. Of the outstanding DOT fines, $7.9 million are for violations issued by the NYPD Transport Intelligence Unit which is responsible for oversight of street openings and curb cuts.

The fire department accounted for 6.2 percent of unpaid ECB fines, with $27.1 million in unpaid tickets that had been issued between 2007 and 2009, for citations such as inadequate egress, failure to maintain sprinkler systems, and electrical fire hazards. The Department of Environmental Protection (DEP) has about $15.4 million in uncollected fines from 2007 to 2009. The fines are mainly for Industrial Waste Control, including illegal discharges and restaurant grease traps, Asbestos, and Hazardous Materials violations. Delinquent violations issued by the Department of Health and Mental Hygiene, primarily billed by ECB, totaled $5.4 million from 2007 to 2009. The parks department has about $4.6 million in outstanding fines for tickets written between 2007 and 2009, for violations such as illegal dumping in parks, unleashed pets in parks, or failure to comply with regulations. Uncollected fines for noncriminal violations issued by the police department, such as graffiti violations or street vendor fines,

totaled $13.9 million. All remaining tickets adjudicated by ECB account for about $1.0 million in outstanding fines for 2007 through 2009.

Balance of Delinquent Environmental Control Board Accounts for Fines Issued 2007 Through 2009 by Issuing Agency

Dollars in millions

	Outstanding Balance, 2007-2009			
Issuing Agency	**DOF Collection**	**ECB Billing**	**Total**	**Percent of Total**
Department of Buildings	$196.5	$4.4	$200.9	45.7%
Department of Sanitation (DSNY)	133.1	1.0	134.1	30.5%
DSNY Enforcement	63.2			
DSNY Recycling	10.7			
DSNY Police	9.8			
DSNY Other	49.4			
Department of Transportation	37.0	0.1	37.2	8.5%
Fire Department	26.7	0.4	27.1	6.2%
Department of Environmental Protection	9.1	6.3	15.4	3.5%
Police Department	1.3	12.5	13.9	3.2%
Department of Health and Mental Hygiene	0.6	4.9	5.4	1.2%
Department of Parks and Recreation	4.6	0.0	4.6	1.1%
Business Integrity Commission	0.6	0.0	0.6	0.1%
Landmarks Preservation Commission	0.2	0.0	0.2	0.1%
Other Agency/Agency Code Missing	0.1	0.2	0.2	0.1%
TOTAL	**$409.8**	**$29.9**	**$439.7**	

SOURCES: IBO; Department of Finance Computer Assisted Collection System; Office of Administrative Trials and Hearings

NOTES: DOF Collection includes all ECB debt referred to DOF for collection for tickets issued between 2007 and 2009. ECB collection includes ECB debt for violations issued from 2007 to 2009 but not transferred to DOF. DOF collections data are as of September 2010, while ECB collection is as of December 2010. May not add due to rounding.

Department of Finance Open Balance Delinquencies. Lienable charges registered against a property are recorded in the Department of Finance Open Balance file, which represents 25.6 percent of uncollected charges from 2007 to 2009. (Liens are taxes and charges that become a legally enforceable claim on the property, which must be cleared before a property can be sold.) The largest share of delinquent accounts in Open Balance are property tax delinquencies, totaling $250 million or 76.9 percent of total delinquent accounts in Open Balance from 2007 to 2009.

About 20 percent of delinquent Open Balance charges from 2007 to 2009 are for emergency repair and emergency demolitions carried out by the housing department. Building owners are expected to reimburse the city for these costs.

Unpaid charges from 2007 through 2009 for services provided by the Department of Health and Mental Hygiene total $6.4 million. These charges are for maintaining safe conditions at buildings, including extermination. The remaining unpaid charges total about $1.5 million for charges registered by the fire department, the Department of Environmental Protection/Department of Design and Construction, and the Department of Buildings. As charges in Open Balance constitute a lien against a property, these delinquencies are a fairly specific set of charges.

Balance of Delinquent Accounts in the Department of Finance Open Balance File, Account Type, Charges Registered 2007 Through 2009 *Dollars in millions*	
Type	**Account Balance**
Real Property Tax and Related	$250.2
Housing Preservation and Development	$64.5
Department of Health and Mental Hygiene	$6.4
Fire Department	$1.5
Department of Design and Construction/ Department of Environmental Protection	$1.4
Department of Buildings	$1.3
Administrative	$0.1
TOTAL	**$325.5**
SOURCES: IBO, Department of Finance Open Balance File NOTES: Open Balance data are as of September 2010. Excludes Business Improvement District charges and rent regulation charges because these are collected by DOF for noncity entities. Excludes water liens since Department of Environmental Protection water and sewer charge delinquency is excluded from the analysis.	

Parking and Red Light Camera Violations. Another 24.2 percent of outstanding account balances is for tickets issued to vehicles in the city. The overwhelming majority, 90 percent, are for unpaid parking tickets. According to the Comprehensive Annual Financial Report issued by the City Comptroller, the city issues an average of $881 million in parking tickets per year. Uncollected revenue including interest accrued on unpaid tickets, averages $92 million a year. (Note that interest is not included in the reported value for new tickets issued each year.) About $30 million is uncollected from red light tickets issued from 2007 through 2009, or about $10 million per year. From 2007 through 2009, about 84 percent of red light camera tickets were paid.

Fire Department EMS Transport Fees. Individuals are charged by the city for ambulance transportation provided by the Emergency Medical Service, which represents 11.8 percent of the total unpaid charges from 2007 through 2009. The department estimates that about $50 million is unpaid each year, as reported in the *Daily News* on January 20, 2011 (the department was not able to provide a more specific number for unpaid charges by year). About 25 percent of charges are unpaid each year. In most cases, insurance reimburses the city for the cost, but individuals without insurance are personally responsible for the charge.

Department of Health and Mental Hygiene. In addition to fines collected by the Department of Finance and recorded in Open Balance and those adjudicated by ECB, the health department adjudicates most of the violations issued by its inspectors through its own Administrative Tribunal. Of the $1.3 billion total delinquent account balances, about $47 million (3.7 percent) are health department violations written between 2007 and 2009 and adjudicated by the health department tribunal. About half of the outstanding fines adjudicated by the tribunal are for restaurant violations, 25.6 percent is for pest control violations, and 17.1 percent is for window guard violations. Each of the remaining categories represents less than 5 percent of the total outstanding.

Balance of Delinquent Department of Health and Mental Hygiene Violations Issued 2007 through 2009, by Type of Violation *Dollars in millions*		
	Outstanding Balance, 2007-2009	
Violation	**Balance**	**Percent of Total**
Restaurant/Food/Food Service	$23.1	49.5%
Pest Control/West Nile Virus	$11.9	25.6%
Window Guards	$8.0	17.1%
Lead Poisioning	$1.4	3.0%
Animal Affairs	$0.9	1.9%
Nuisances	$0.8	1.7%
Other Violations	$0.6	1.3%
TOTAL	**$46.7**	
SOURCES: IBO; Department of Health and Mental Hygiene NOTE: Balances as of October 2010.		

DELINQUENT ACCOUNT BALANCES BY ISSUING AGENCY

Fines for violations issued by a single agency can be assigned to different adjudication and collection sources depending on the type of violation. In this section we aggregate delinquent amounts by issuing agency regardless of collection category. For example, while most violations issued by the Department of Health and Mental Hygiene are adjudicated by the agency's own Administrative Tribunal, the Environmental Control Board adjudicates mobile food vending and pest control violations. Additionally, collection can be transferred to the Department of Finance Open Balance system for property-related fees, such as cleaning or extermination of a vacant lot or building for public health reasons.

About 28 percent of the unpaid charges, $358.5 million, is from the tickets and violations issued by the Department of Transportation and the police department (because of overlap in issuing tickets for parking and street cuts, these agencies are combined here). The second largest category is delinquent property taxes administered and collected by the Department of Finance, at 19.7 percent or $250.2 million. Unpaid fines for violations and permits issued by the Department of Buildings total $202.2 million, or 15.9 percent. Fines for violations issued by the fire department and unpaid EMS transportation charges represent 14.1 percent of outstanding accounts, at $178.7 million. Another 10.6 percent, or $134.1 million, is for unpaid tickets written by the sanitation department.

The city's housing and preservation department had 5.1 percent, or $64.5 million of the unpaid charges resulting from emergency repairs to apartment buildings. The lien sale legislation approved by the City Council on March 2, 2011 expanded the city's lien sale to include stand-alone emergency repair charges. (Note that unlike the Department of Buildings, the housing agency does not collect fines for code violations unless there is litigation in housing court, so this figure only includes unpaid charges for emergency repairs completed by the city.) A wide variety of violations issued by the health department account for 4.6 percent ($58.5 million) of the delinquent account balances.

Fines and fees issued by the Department of Environmental Protection in cooperation with the Department of Design and Construction (which carries out certain sewer and water main repairs for

DEP) and the Department of Parks and Recreation total less than 2 percent of uncollected balances included in the analysis.

Balance of Delinquent Accounts for Fines Issued 2007 Through 2009 by Issuing Agency

Dollars in millions

Issuing Agency/Tax	Balance	Percent of Total
NYPD/DOT	$358.5	28.2%
Property Tax	250.2	19.7%
DOB	202.2	15.9%
FDNY	178.7	14.1%
DSNY	134.1	10.6%
HPD	64.5	5.1%
DOHMH	58.5	4.6%
DEP/DDC (excluding water charges)	16.9	1.3%
DPR	4.6	0.4%
Other	1.2	0.1%
TOTAL	**$1,269.3**	

SOURCES: IBO; Department of Finance; Department of Health and Mental Hygiene; Department of Transportation; Fire Department of New York; Office of Administrative Trials and Hearings

NOTES: Open Balance, most ECB data, and parking ticket data as of September 2010; additional ECB Data as of December 2010; red light camera data as of August 2010; and Department of Health and Mental Hygiene data as of October 2010. Fire department transport fees as of January 2011.

Although IBO has been careful to capture as many sources of delinquent charges as possible, since collection is not centralized within one system or agency, it is possible that some significant amount of unpaid charges were overlooked. Finally, it is important to stress that not all unpaid charges could be realized as revenue by the city.

If you have any questions, please feel free to contact Ana Champeny, who conducted this analysis, at 212-442-1524 or anac@ibo.nyc.ny.us or myself at 212-442-0225 or ronniel@ibo.nyc.ny.us.

Sincerely,

Ronnie Lowenstein
Director