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# Budget Options for New York City

IBO

New York City

Independent Budget Office

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# Contents

# Introduction

This is the Independent Budget Office's second edition of *Budget Options for New York City*. The first, issued last April, quickly proved to be one of IBO's most frequently requested and referenced publications. To further enhance this new volume's contribution to the discussion of how to close the city's budget shortfall, we have published it earlier in the decisionmaking cycle for the upcoming fiscal year.

In this new edition, we examine nearly 60 options and make objective calculations of the anticipated savings or revenue from each of the measures. About half the options are repeated from last year, although with updated fiscal calculations and in some cases with additional policy considerations as well. And for all the options discussed, IBO presents a set of arguments for and against implementing the measures. Our approach is modeled on a similar volume produced by the nonpartisan Congressional Budget Office, which analyzes but does not endorse various budget options for Congress.

The options presented here are by no means exhaustive. In no way does the report's inclusion—or omission—of specific budget options reflect an assessment of their viability or desirability. Like the CBO, our role is to analyze, not endorse.

Many of the options included in this volume have been in the public domain for some time, raised by fiscal- or policy-oriented organizations such as the Citizens Budget Commission, City Project, and Manhattan Institute, or by current or former public officials. Other options are here because we have been asked by elected officials, civic leaders, or advocates to estimate their cost-savings or revenue potential. There are also some options included here developed out of the knowledge and insight of IBO's own policy and budget analysts. Regardless of its source, each budget option underwent the same thorough and impartial analysis.

Where there is some overlap in the options included here and in proposals presented in the Mayor's Preliminary

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Budget, it is our intent to provide further explanation and advance public consideration of the measures. Finally, some interesting options were not included in this volume because we did not have the information or resources to analyze them in the time available.

In subsequent volumes IBO intends to cover many more options. We welcome your suggestions for inclusion in future options reports as well as comments on this new installment.

# *Revenue Options*

# OPTION:
# Restore the Commuter Tax

Revenue:
$459 million in 2004; $551 million by 2007

One option to increase city revenues would be to restore the nonresident earnings component of the personal income tax (PIT), known more commonly as the commuter tax. Since 1971 the tax had equaled 0.45 percent of wages and salaries earned in the city by commuters and 0.65 percent of self-employment income. Three years ago the New York State Legislature repealed the tax, effective July 1, 1999. If a restored commuter tax were to become effective on July 1 of this year, the city's PIT collections would increase by $459 million in 2004, $498 million in 2005, $532 million in 2006, and $551 in 2007.

PROPONENTS MIGHT ARGUE that in addition to providing the city revenue to help close a substantial portion of projected budget gaps, people who work in the city, whether a resident or not, rely on police, fire, sanitation, transportation, and other city services and thus should assume some of the cost of providing these services. Revenue from the tax could be dedicated to specific uses that are likely to benefit commuters, such as transportation infrastructure or police, fire, and sanitation in business districts. If New York City were to tax commuters, it would hardly be unusual: New York State and many other states, including New Jersey and Connecticut, tax nonresidents who earn income within their borders. Moreover, with tax rates between roughly a fourth and an eighth of PIT rates facing residents, it would not unduly burden most commuters. An estimated 49.1 percent of all filers who would pay the commuter tax in 2004 have annual incomes above $100,000, compared with 8.9 percent of city residents filing tax returns. Also, by lessening the disparity of the respective income tax burdens facing residents and nonresidents, reestablishing the commuter tax reduces the incentive for current residents working in the city to move out. Finally, some have argued for reinstating the commuter tax on the grounds that the political process which led to its elimination was inherently unfair in spite of various court rulings upholding the legality of the elimination. By repealing the tax without input from or approval of either the City Council or then-Mayor Giuliani the state Legislature created an unexpected shortfall of tax revenue that the city can now ill afford.

OPPONENTS MIGHT ARGUE that reinstating the commuter tax would adversely affect business location decisions because the city would become a less competitive place to work and do business both within the region and with respect to other regions. By creating disincentives to work in the city, the commuter tax would cause more nonresidents to prefer holding jobs outside of the city. If, in turn, businesses find it difficult to attract the best employees for city-based jobs or self-employed commuters (including those holding lucrative financial, legal, advertising and other partnerships) are induced to leave the city, the employment base and number of businesses would shrink. The tax would also make the New York region a relatively less attractive place for businesses to locate, thus dampening the city's economic growth and tax base. Another argument against the commuter tax is that the companies that commuters work for already pay relatively high business income taxes, which should provide the city enough revenue to pay for the services that commuters use. Finally, at the time that the state Legislature repealed the commuter tax, suburban legislators argued that city residents have benefited greatly from the elimination of the 12.5 percent ("criminal justice") surcharge which in term of absolute dollar amounts (though not percentage terms) is about 70 percent greater than the nonresident tax that was repealed.

# OPTION:
# Establish a Progressive Commuter Tax at One-Third of Resident Rates

Revenue:
$968 million in 2004, $1.254 billion by 2007

Another option to increase city revenues would be to establish a progressive commuter tax—one in which commuters with higher incomes are taxed at higher rates, similar to how city residents are taxed though at only one-third the rates. Regardless of where it is earned, the commuter's entire income tax would be subject to a progressively structured tax, though the resulting liability would then be reduced in proportion to the share of total income actually earned in New York—comparable to how New York State taxes nonresidents who earn some or all of their income within its borders. Mayor Bloomberg proposed such a tax in November 2002, but he called for taxing city residents and commuters at the same rates. Several key state leaders responded negatively to the proposal. If a progressive commuter tax at one-third the rates of the resident tax (0.97 percent in the lowest tax bracket to 1.22 percent in the highest) were to begin on July 1, 2003, the boost to city revenues would be substantial: $968 million in 2004, $1.066 billion in 2005, $1.159 billion in 2006, and $1.254 billion in 2007.

Proponents might argue that people who work in the city, whether a resident or not, rely on police, fire, sanitation, and other city services, so it is appropriate that commuters bear some portion of the cost of providing these services. Because it would tax upper income families at higher rates than it would moderate-income families, a progressive commuter tax would be fairer than the former commuter tax, which taxed income earned in the city at flat rates (0.45 percent of wages and salaries and 0.65 percent of self-employed income). As estimated for calendar year 2004, nealy half of all commuters will have annual incomes above $100,000 (compared with almost 9 percent of all city filers); and would be responsible for 86.4 percent of the tax's liability, making it primarily borne by households who can best afford it. Moreover, residents of New Jersey and Connecticut, who comprise most out-of-state commuters and tend to have higher city-based incomes than do in-state commuters, would be able to receive a credit against their state personal income tax for a portion of their commuter tax liability, thus offsetting a portion of their additional tax burden. To an even greater extent than simply restoring the former commuter tax, a progressive commuter tax would lessen the disparity of the respective income tax burdens facing residents and nonresidents and thus reduce the incentive for current residents working in the city to move out.

Opponents might argue that any commuter tax would adversely affect business location decisions because the city would become a less competitive place to work and do business both within the region and with respect to other regions. The adverse economic effects of the proposed progressive tax would be worse than those of the former commuter tax because the progressive tax's rate would be higher; average tax liability in 2004 would be an estimated $1,235. By creating disincentives to work in the city, the commuter tax would cause more nonresidents to prefer holding jobs outside of the city. If, in turn, businesses that find it difficult to attract the best employees for city-based jobs or self-employed commuters (including those holding lucrative financial, legal, advertising and other partnerships) are induced to leave the city, the employment base and number of businesses would shrink. The tax would also make the New York region a relatively less attractive place for new businesses to relocate. Another possible argument against the commuter tax is that the companies that commuters typically work for already pay relatively high business income taxes and high commercial property taxes, which should provide the city enough revenue to pay for the services that commuters use.

# OPTION:
# Create a More Progressive Personal Income Tax

Revenue:
$215 million in 2004, $309 million by 2007

This personal income tax (PIT) option would create a more progressive structure of the tax's “base” (non-surcharge) rates by simultaneously reducing marginal rates in the bottom income brackets and raising marginal rates at the top. This would both provide tax cuts to many taxpayers and increase revenues overall. The version of this option estimated by IBO would replace the current four brackets as follows: Base rates in the bottom two tax brackets would be reduced by 0.25 percentage points, to 2.30 percent and 2.85 percent respectively. The rates and income range of the third bracket would remain the same but the current fourth and top bracket would now become divided into three groups. A new fourth bracket with a slightly increased base rate (from 3.2 percent to 3.35 percent) would end at $90,000 income for single filers, $152,000 income for joint filers, and $108,000 income for heads of households (single parents). The next bracket would have a marginal rate of 3.5 percent for incomes up to $150,000, $270,000, and $180,000 for single, joint, and head of household filers, respectively. The marginal rate in the new top bracket would be 3.7 percent, a 0.5 percentage point increase over the current top rate. If this restructuring took effect by July 1, 2003, PIT revenues would increase by $215 million in 2004, $244 million in 2005, $275 million in 2006, and $309 million in 2007. (See Appendix for chart comparing PIT options.)

PROPONENTS MIGHT ARGUE that a progressive restructuring of PIT base rates would achieve several desirable outcomes: an increase in city tax revenues, a tax cut for most filers, and a more progressive tax structure (one in which taxes paid as a percentage of income increases as income rises). Under the option, most filers with gross incomes below $100,000, an estimated 93.8 percent of all filers, would receive a tax cut. Households with lower incomes generally spend a larger portion of their income than do more affluent households, so the $120 million total tax cut for filers with incomes under $100,000 is likely to result in more spending that will help stimulate the local economy. While not garnering as much revenue as simply increasing tax rates on the wealthy, this option would raise revenues from a broader range of relatively affluent taxpayers. Moreover, because middle- and high-income New Yorkers tend to itemize deductions on their federal taxes, including city taxes paid, for many taxpayers increases in city PIT burdens would be partially offset by reductions in federal taxes. Because all residents would pay less tax on income in the lower tax brackets, tax increases for high income New Yorkers would be less under this option than our across the board rate hike, thus mitigating incentives to be more outside the city.

OPPONENTS MIGHT ARGUE that if the principal goal of altering the PIT at this point in time is to help address looming budget gaps, this option is somewhat inefficient. For tax year 2004, the reductions in base rates in the bottom two tax brackets decrease the revenue-raising potential of the accompanying increases by at least $155 million—40 percent less than what additional collections would be if rates were only increased. Furthermore, while the provision of tax cuts to the many non-affluent filers makes the average tax cut for all filers much lower than in the other base rate options, these cuts do not significantly lessen the average tax increase that would be borne by the most affluent taxpayers. Filers with incomes above $1 million would still see their PIT liabilities rise on average by an estimated $19,400 in 2004, and an increase of this magnitude could have an adverse impact on the city's tax base by causing at least some of the most affluent to leave the city. If only 5 percent of "average" millionaires (about 665 filers) were to leave the city, almost 40 percent of this option's revenue-raising potential ($88 million) would be lost. Over time any revenue loss would be further compounded by reductions in other city tax sources, such as business income taxes, the sales tax, and the property tax.

# OPTION:
# Levy a Temporary, 10 Percent Personal Income Tax Surcharge

Revenue:
$533 million in 2004, $675 million by 2007

Under this option, a new temporary surcharge on resident personal income tax (PIT) liabilities would be imposed. The new surcharge would be in addition to an existing surcharge that has been in place since calendar year 1991. The current surcharge equals 14 percent of base rate (non-surcharge) liability and is expected to remain in effect throughout the next four fiscal years. A second surcharge equal to 10 percent of PIT liability under current law including the 14 percent surcharge would increase residents' marginal tax rates from 2.91 percent to 3.20 percent for income in the lowest tax bracket, from 3.65 percent to 4.01 percent for income in the highest bracket, and by proportional amounts for rates in the middle brackets. If such a surcharge were to become effective by July 1, 2003 and remain in effect for the next four years, PIT collections would rise by $533 million in 2004, $581 million in 2005, $627 million in 2006, and $675 million in 2007. This surcharge would increase taxes by an average of $165 per filer in calendar year 2004. (See Appendix for chart comparing resident PIT options.)

PROPONENTS MIGHT ARGUE that city residents would be far more likely to accept a temporary surcharge, designed to address the city's near-term budget gaps (created in part by the September 11 attack) than a permanent tax increase; as a result, few taxpayers would be likely to move outside of the city to avoid the tax. A second PIT surcharge defined simply as a certain percentage of existing PIT liability also has the advantage of being easy to comprehend, which would make it more palatable. Because it would increase the tax burden of all taxpayers in proportion to their current liabilities, a simple surcharge would neither alter the existing distribution of liability among residents of different incomes nor affect the progressiveness of the tax. The distribution of the tax burden is skewed toward upper income filers, so the surcharge would be borne largely by those residents who can most afford a tax increase. About 31 percent of the additional surcharge revenue would be paid by filers with annual incomes above $1 million with another 28 percent borne by filers with incomes between $125,000 and $1 million. Finally, because middle- and high-income New Yorkers tend to itemize deductions for federal tax purposes and thus deduct city taxes paid, for many taxpayers increases in their city PIT burdens under this option would be partially offset by reductions in federal income tax liability.

OPPONENTS MIGHT ARGUE that New Yorkers are already among the most heavily taxed in the nation and a further increase in their tax burden is likely to induce movement out of the city. New York is one of only three of the largest U.S. cities to levy a personal income tax, and its PIT burden is second only to Philadelphia's; further increases in the tax would only exacerbate the city's competitive disadvantage with respect to other areas of the country. Designating the surcharge as temporary may not lessen the adverse impact: In the past decade the city repeatedly renewed both the current surcharge and another PIT surcharge that had been in effect from 1990 to 1998 in spite of both increases being labeled as "temporary." The substantial budget gaps now being projected for many years only adds to skepticism about temporary surcharges. Finally, a new surcharge would result in particularly large tax increases for the high-income taxpayers who account for a very large portion of the city's PIT receipts. Even if only 10 percent of filers with incomes above $250,000 were to leave the city in response to a tax increase, the base of taxable income in the city would significantly shrink and over half of this option's revenue-raising potential would be lost. Over time the revenue loss would be further compounded by reductions in other city tax sources, such as business income taxes, the sales tax, and the property tax.

# OPTION:
# Increase Top Personal Income Tax Rate by 1 Percentage Point for Filers with Incomes above $250,000

Revenue:
$595 million in 2004, $765 million by 2007

Another option for increasing tax receipts would be to increase the non-surcharge or "base" rates of the personal income tax (PIT) of high-income filers, defined here as taxpayers with taxable incomes exceeding $250,000 a year. The current structure of PIT base rates is progressive, meaning that income in higher tax brackets is taxed at higher rates. There are four taxable income brackets, with base rates ranging from 2.55 percent in the lowest bracket to 3.2 percent in the highest bracket; the added impact of the existing 14 percent surcharge creates total marginal PIT rates that range from 2.91 percent to 3.65 percent. The top bracket now begins at $50,000 of taxable income for single filers (including married persons filing separately), $60,000 for heads of household (single parents), and $90,000 for married couples filing jointly. If a fifth bracket for all filers with incomes above $250,000 were created and its base rate were set at 4.2 percent—1 percentage point higher than the current top base rate—PIT collections would increase by $595 million in 2004, $650 million in 2005, $706 million in 2006, and $765 million in 2007. Under this option, the marginal tax rate, including the 14 percent surcharge, facing filers whose incomes reach into the new highest bracket would be 4.79 percent. (See Appendix for chart comparing PIT options.)

Proponents might argue that in addition to providing considerable additional revenue to the city, this option would limit its impact to a relatively small number of affluent filers, city residents who can most afford tax increases. Just over 80 percent of the additional tax collections would be received from filers with gross incomes above $1 million and another 13.4 percent would be received by those with incomes between $500,000 and $1 million—two groups which account for an estimated 0.9 percent of city filers. The PIT burdens of the vast majority of all city residents would not be affected. Moreover, the tax structure would be made more progressive, meaning that those with highest incomes would face a new, higher marginal tax rate. Finally, in itemizing deductions for federal tax purposes, high-income New Yorkers generally deduct city taxes paid, so increases in city PIT burden paid by taxpayers under this option would be partially offset by reductions in federal income taxes.

Opponents might argue that the very features which make this option attractive—that it raises a large amount of revenue while burdening only a small group of city residents—are also the features that could make the option self-defeating. This option increases the marginal tax rates facing effected taxpayers sharply, as the 1 percentage point increase in the base rate amounts to a 31.25 percent increase in the marginal tax rate on income exceeding $250,000 (1.0 percent divided by 3.2 percent). Filers with gross incomes above $1 million would see their PIT liabilities increase on average by an estimated $35,800 in 2004. If the large tax hikes produced by this option were to induce even a substantial portion of the wealthiest residents to leave the city and/or were to dissuade others from moving in, the revenue-raising benefits of this option would be largely offset. For example, if 5 percent (about 665) of "average" millionaire filers were to leave the city in 2004, the city would lose an estimated $112 million under this option, offsetting almost one-fifth of how much revenue would be raised if no one were to move. Over time the revenue loss would be further compounded by reductions in other city tax sources, such as business income taxes, the sales tax, and the property tax.

# OPTION:
# Eliminate 10- and 20-Year 421-a Tax Exemptions

Savings:
$13.0 million in 2004, $25.1 million in 2005, $35.6 million in 2006, and $45.4 million in 2007

New residential construction in Manhattan south of 110th Street may under certain circumstances be eligible for an exemption from real property taxes for a period of either 10 or 20 years. Developers who purchase certificates from affordable housing developers receive 10-year exemptions; 20-year exemptions are granted to projects in which at least 20 percent of the units are affordable to low- and moderate-income households. Over the last four years, there has been an average of 564 units with 10-year exemptions and 1,076 units with 20-year exemptions added annually. IBO estimates that the full cost in foregone property tax revenues of a 10-year exemption is about $22,000 per unit; for a 20-year exemption the full cost per unit is about $91,000. The revenue is only foregone if the project would have been built even without the tax exemption.

PROPONENTS MIGHT ARGUE that these tax exemptions are a give-away to developers of high-end luxury housing in Manhattan that do not require a subsidy to be economically viable. These exemptions in Manhattan south of 110th Street are costly and inefficient. Many new residential projects have been built without 421-a exemptions, usually because they do not meet the eligibility requirements. Finally, the benefits of the exemption may primarily accrue to landowners, who can sell land to developers for a higher price if the site is eligible for a 421-a exemption.

OPPONENTS MIGHT ARGUE that without these exemptions housing production in New York would be curtailed, and the remaining construction would occur mostly outside of Manhattan or above 110th Street. They might argue that the very high cost of construction, particularly in core Manhattan, makes some form of subsidy imperative if new housing is to be affordable to more than a small minority of well-to-do households. Opponents also could note that the 421-a program is now deeply embedded in New York's residential housing market and feel that removing it would cause serious disruption. In addition, a tax subsidy is an efficient mechanism because it lets market participants choose whether or not to build rather than relying on a bid and review process. Many housing advocates also view the 421-a program as an important source of financing for affordable housing construction that also ensures the construction of some mixed-income developments south of 110th Street.

# OPTION:
# Revise Coop/Condo Property Tax Abatement Program

Revenue:
$33 million in 2004, rising to $46 million in 2007

Recognizing that most apartment owners had a higher property tax burden than owners of Class 1 (one-, two-, and three-family) homes, in 1997 the Mayor and City Council enacted a property tax abatement program billed as a first step towards the goal of equal tax treatment for all owner-occupied housing. A problem with this stopgap measure, which has subsequently been renewed twice, is that some apartment owners—particularly those residing east and west of Central Park—already had low property tax burdens. A 1998 IBO study found that 13 percent of the abatement program's benefits went to apartment owners whose tax burdens were already as low, or lower, than that of Class 1 homeowners. Another 7 percent gave other apartment owners benefits beyond the Class 1 level. With the recently enacted property tax rate increase, the cost of the abatement and the amount being wasted has risen proportionately.

Under the option proposed here, the city could reduce the inefficiency in the abatement by restricting it either geographically or by value. For example, certain neighborhoods could be denied eligibility for the program, or buildings with high average assessed value per apartment could be prohibited from participating. Another option would be to exclude very high valued apartments in particular neighborhoods from the program.

The additional revenue would vary depending on precisely how the exclusion was defined. Assuming that the 20 percent inefficiency that IBO found in 1999 still holds, the current waste in the program is $54 million in 2004 and will grow to $77 million by 2007. While it is unlikely that a exclusion like the ones discussed above could eliminate all of the inefficiency, it should be possible to reduce the waste by at least 60 percent.

PROPONENTS MIGHT ARGUE that such inefficiency in the tax system should never be tolerated, particularly at a time when the city faces large budget gaps. Furthermore, these unnecessary expenditures are concentrated in neighborhoods where the average household incomes are among the highest in the city. At a time when many city services serving middle and lower income households are being cut, it is particularly appropriate to avoid giving benefits that are greater than were intended to some of the city's wealthiest residents.

OPPONENTS MIGHT ARGUE that even if the abatement were changed in the name of efficiency, the result would be to increase some apartment owners' property taxes at a time when the city faces pressure to reduce or at least constrain its very high overall tax burden. In addition, those who are benefiting did nothing wrong by participating in the program and should not be "punished" by having their taxes raised. The abatement was supposed to be a stopgap and had acknowledged flaws from the beginning. The city has had over five years to come up with a revised program, but so far has failed to do so.

# OPTION:
# Secure Payments in Lieu of Taxes from Colleges and Universities Equal to 25 Percent of the Value of Their Current Exemption

Revenue:
$51 million annually

Under New York State law, real property owned by colleges and universities used in supporting their educational purpose is exempt from the city's real property tax. IBO projects that this exemption will cost the city $205.3 million in 2004 in foregone property tax revenue (often called a "tax expenditure").[1] Exemptions for student dormitories and additional student and faculty housing will represent 21.8 percent ($44.8 million) of this total. Under this option, private colleges and universities in the city would make payments in lieu of taxes (PILOTs), either voluntarily or through legislation. A PILOT of 25 percent of the total tax expenditure would equal $51.3 million.

As an alternative, New York State could make the PILOT payments to New York City for the colleges and universities. The exempt institutions would continue to pay nothing. This fiscal year, the state of Connecticut will reimburse local governments for 77 percent of the tax revenue foregone on tax-exempt property owned by colleges, universities, and hospitals. Rhode Island also reimburses local governments, though at a lower percentage.

PROPONENTS MIGHT ARGUE that colleges and universities consume valuable city services, including police and fire protection, without paying their share of the property tax burden, while for-profit employers and residents must pay the bill. They also could contend that private colleges and universities generally serve a wider community beyond the city and that it is appropriate to shift some of the burden of city services supporting universities and colleges to that broader community. Finally, they might point to several other cities with large private educational institutions that collect PILOT payments, either directly from the institutions or from their state governments. These include large cities (such as Boston, Philadelphia, Providence, New Haven, and Hartford) and smaller cities (such as Cambridge and Ithaca).

OPPONENTS MIGHT ARGUE that colleges and universities provide employment opportunities, purchase goods and services from city businesses, provide an educated workforce, and enhance the community through research, public policy analysis, cultural events, and other programs and services. Opponents also could argue that the tax exemption on faculty housing encourages faculty to live in the city, pay income taxes, and consume local goods and services.

[1]At present, there is little incentive for either the city or the academic institutions to obtain the most accurate assessment possible. If as a result of this option, payments began to be based on better assessments of university property, the assessed values might change significantly.

# OPTION:
# Eliminate Property Tax Exemption for Madison Square Garden

Revenue:
$11.4 million in 2004

This option would eliminate the real property tax exemption for Madison Square Garden (MSG). For nearly two decades, Madison Square Garden has enjoyed a full exemption from its tax liability for the property it uses for sports, entertainment, expositions, conventions, and trade shows. In fiscal year 2004, the tax expenditure, or amount of foregone taxes, is projected to be $11.4 million. Under Article 4, Section 429 of the Real Property Tax law, the exemption is contingent upon the continued use of Madison Square Garden by professional major league hockey and basketball teams for their home games. Adjusted for inflation, the cumulative value of the exemption since it was enacted in 1982 will exceed $200 million in 2004.

When enacted, the exemption was intended to ensure the viability of professional major league sports teams in New York City. Legislators determined that "operating expenses of sports arenas serving as the home of such teams have made it economically disadvantageous for said teams to continue their operations; that unless action is taken, including real property tax relief and the provision of economical power and energy, the loss of the teams is likely…" (Section 1 of L.1982, c.459).

PROPONENTS MIGHT ARGUE that tax incentives are now unnecessary because the operation of Madison Square Garden is almost certainly profitable. Because Madison Square Garden, L.P. owns the Knicks and Rangers teams and the MSG Network, it receives all game-related revenue from tickets, concessions, and cable broadcast advertising. In addition, Madison Square Garden hosts concerts, theatrical productions, ice shows, the circus, and much more in its arena and theater, and it collects both rent and concession revenue on these events. Overall, it claims to host over 500 events annually. Proponents also might note that privately owned sports arenas built in recent years in other major cities, such as the Fleet Center in Boston and the United Center in Chicago, generally do pay real property taxes—as did MSG from 1968 when it opened until 1982—although some have received other government subsidies such as access to tax exempt financing and public investment in related infrastructure projects. In the case of MSG, the continuing subsidy, long after the construction costs have been recouped, is at odds with the philosophy that guides economic development tax expenditure policy.

OPPONENTS MIGHT ARGUE that the presence of the teams continues to economically benefit the city and that foregoing $11.4 million is reasonable compared to the risk that the teams might leave the city.

# OPTION:
# Raise Cap on Property Tax Assessment Increases

Revenue:
$10 million in the first year and
$75million-$100 million in fifth year

Under current law, property tax assessments for Class 1 properties (one-, two-, and three-family homes) may not increase by more than 6 percent per year or 20 percent over five years. For apartment buildings with four to 10 units, assessment increases are limited to 8 percent in one year and 30 percent over five years. This option would raise the annual assessment caps to 8 percent and 30 percent for five years for Class 1 properties and to 10 percent annually and 40 percent over five years for small apartment units. State legislation would be needed to implement the higher caps and to adjust the property tax class shares to allow the city to recognize the higher revenues.

This change would bring in $10 million 2005 (with the assessment roll for 2004 already largely complete, 2005 is the first year the option could be in effect) and $75 million to $100 million annually after five years. These revenue estimates are highly sensitive to assumptions about changes in market values. The average property tax increase in the first year for Class 1 properties would be approximately $1 and would grow to $15 by the fifth year.

The assessment caps for Class 1 were established in the 1981 legislation creating the city's current property tax system (S7000a) and first took effect for fiscal year 1983. The limits on small apartment buildings in Class 2 were added several years later. The caps are one of a number of features in the city's property tax system that keeps the tax burden on Class 1 properties very low in order to promote homeownership. Assessment caps are one way to provide protection from rapid increases in taxes driven by a rise in the property values that may outstrip the ability of individual owners to pay, particularly those who are retired or on fixed incomes.

Although effective at protecting such owners, it is acknowledged that assessment caps cause other problems. They can exacerbate existing inequities if market values in some neighborhoods are growing faster than the cap while values in other neighborhoods are growing slower than the cap. Moreover, in a classified tax system such as New York's, if only one type of property benefits from a cap, inter-class differences in tax burdens will also grow. Beyond these equity concerns, caps also constrain revenue growth if market values are growing at a rate above the cap, particularly if the caps are set lower than needed to provide the desired protection for homeowners' ability to pay.

PROPONENTS MIGHT ARGUE that an increase in the caps would eventually yield significant new revenue for the city. Further, by allowing the assessments on more properties to grow proportionately with their market values, intra-class inequities would be lessened. Finally, by allowing the overall level of assessment in Class 1 and in part of Class 2 to grow faster, the inter-class inequities in the city's property tax system would be reduced.

OPPONENTS MIGHT ARGUE that increasing the burden on homeowners would undermine the city's goals of encouraging homeownership and discouraging the flight of middle class taxpayers to the suburbs. Other opponents argue that given the equity and revenue shortcomings of assessment caps they should be eliminated entirely rather than merely raised.

# OPTION:
# Restore the Stock Transfer Tax at One-Half of Its Original Rate, Splitting the Proceeds between the City and the State

Revenue (city share):
$2.75 billion in 2004, $2.88 billion in 2005,
$3.06 billion in 2006, and $3.27 billion in 2007

New York State instituted a tax on transfers of shares or certificates of stock in 1909, and shifted the tax to New York City in 1966. The stock transfer tax (STT) was imposed at a graduated rate rising to five cents per share on stocks selling for $20 or more, up to a maximum of $350 per sale. (A 25 percent surcharge on these rates existed from 1976 through 1978.) The STT was phased out between 1979 and 1981, although it is still nominally "paid" to the state on paper and immediately rebated back to the payer. To partially compensate the city for the lost revenue, the state instituted a new aid payment to the city, usually fixed at $114 million per year. This payment was discontinued in state fiscal year 2001.

When the decision was made to phase out the STT in 1978, collections were $290 million. Over the past two decades there has been an explosion in the volume of trading activity on the New York exchanges. For state fiscal year 2001, the tax's revenue potential—that is, the amount of the STT rebate—is reported as $7.6 billion. We estimate that due to the continued growth in trading volume, this flow will reach $11 billion in 2004 and $13 billion by 2007. These amounts, if they could be collected, would dwarf even the most pessimistic forecasts of the city deficit. But the burden this would place on the securities industry would be prohibitive. Back in 1979, the STT added about 8 percent to trading costs. A quarter-century of competitive pressures have squeezed costs (and brokerage profit margins) so much, however, that restoring the full tax today would raise trading costs by over 40 percent.

A recent proposal calls for an up to 2.5 cents per share transfer tax split between the city and the state. But even this would impact stock trading costs much more severely than the old five cents a share STT did. Because trading volume is highly sensitive to costs, annual city STT revenues would be roughly $500 million less than projected in the static forecast above. Other city tax revenue collections would be affected as well, since securities industry employment and profits are sensitive to trading volume (as well as to stock prices, which would also be reduced by the tax), and the New York City economy is fueled by the securities industry. The proposed STT half-restoration could reduce overall private sector employment in the city by as much as 80,000 and lower receipts from other city taxes by close to $650 million. (State tax collections would be similarly affected.)

PROPONENTS MIGHT ARGUE that a partial restoration of the STT would lighten the burden of the tax enough to enable brokerages to still operate competitively in New York City, while generating billions of dollars in new revenues for the city budget, and additional billions for the state budget.

OPPONENTS MIGHT ARGUE that the STT would raise stock-trading costs and reduce trading volume, resulting in a decline in securities industry profits and loss of securities industry jobs, and after reverberating through the city's economy these retrenchments would lead to significant losses in other city (and state) tax revenues. The combined negative tax impacts ($500 million less in the STT itself, and $650 million less in other city tax receipts) could reduce the net city revenue gain from the proposed STT to under $1.8 billion-while costing the city perhaps 80,000 jobs.

# OPTION:
# Extend the General Corporation Tax to Insurance Company Business Income

Revenue:
$200 million annually

Insurance companies are the only large category of businesses that are currently exempt from New York City business taxes; the city's insurance corporation tax was eliminated in 1974. Insurance companies are subject to federal and state taxation. In New York State, the corporate franchise tax on insurance companies is comprised of a 7.5 percent tax on net income plus taxes ranging from 0.7 percent to1.3 percent on premiums paid to insurance companies. There is an insurance tax limitation that caps the maximum total tax liability at 2.0 percent of taxable premiums.

Almost all states with insurance taxes provide for retaliatory taxation, under which an increase in State A's tax on the business conducted in A by insurance companies headquartered in State B will automatically trigger an increase in State B's tax on the business conducted in B by companies headquartered in State A. Like other states, New York includes a credit for retaliatory taxes in its insurance tax.

Re-imposing the New York City tax on insurance companies would raise the combined state and local insurance tax rate in New York substantially above the national average and trigger widespread tax retaliation. However, as the Department of Finance has pointed out in its tax expenditure reports, extending the city's general corporation tax (GCT) to insurance companies—that is, taxing the net income they earn in the city but not the premiums they are paid—would likely have a much less adverse retaliatory impact: all but a few states retaliate only against taxes specific to insurance companies.

The $200 million annual revenue estimate for extending the GCT to insurance companies assumes that the impact of the World Trade Center disaster on insurance net income was already largely absorbed in 2002 and 2003, and that the weak economy will result in almost flat net income growth in 2004-2007.

PROPONENTS MIGHT ARGUE that this tax would put insurance companies on more equal footing with other incorporated businesses in New York City. As noted above, retaliatory taxes would probably be imposed only by the few states that retaliate against general corporate income taxation of insurance companies, avoiding the more widespread retaliation that would be triggered by a separate insurance corporation tax.

OPPONENTS MIGHT ARGUE that any extension of business income taxes would make New York City's tax structure less "city-like": New York is one of the few American cities with business and personal income taxes, and these are on top of the more typical property and sales taxes also levied here. The additional taxes are often the focus of complaints that New York City is overtaxed and not business-friendly. Another drawback is that insurance companies' net income tax liabilities would be relatively volatile. Finally, tax-motivated industry shifts may reduce private sector jobs in the city and lower the net revenue gain from the GCT extension.

# OPTION:
# Increase the City Sales Tax Rate From 4 Percent to 4.25 Percent

Revenue:
$237 million in 2004, $249 million in 2005, and $260 million in 2006

Taxable sales in New York City are currently subject to a 4.0 percent state tax, a 0.25 percent Metropolitan Transportation District surcharge, and a 4.0 percent city tax. The sales tax is the city's third largest source of tax revenue, and is expected to bring in almost $3.8 billion in 2004. Boosting the city's sales tax rate by 0.25 percent would, all else being equal, increase 2004 sales tax collections to over $4 billion.

The above revenue estimate implicitly assumes that taxable sales will not be depressed by a higher sales tax rate. In actuality, increasing the rate will lead to somewhat lower sales and to some shifting of sales from the city to either the suburbs or the Internet. This would be likely to scale back the new sales tax revenue projections by $25 million to $30 million per year, and have some downward effect on other city tax receipts.

PROPONENTS MIGHT ARGUE that combined state and local sales taxes in Nassau and Suffolk Counties are already 8.5 percent. A 0.25 percent increase in the city sales tax would not make New York City an outlier on sales tax rates.

OPPONENTS MIGHT ARGUE that New York City already loses retail market share to New Jersey and Long Island, in part due to lower costs and prices. Moreover, Internet sales are already costing the city an estimated $250 million in sales tax revenues annually, a figure that may triple in the next four years. (Our estimate is based on a federal Governmental Accounting Office analysis of statewide sales tax losses to electronic commerce and state data on New York City's share of taxable retail sales.) A sales tax increase would make the city less competitive within the metropolitan region than it is now. It also would accelerate the shifting of sales from local retailers to the Internet.

# OPTION:
# Extend Mortgage Recording Tax to Coops

Revenue:
$73 million in 2004, $79 million in 2005, $79 million in 2006, and $82 million in 2007

The mortgage recording tax (MRT) is levied on the amount of the mortgage used to finance the purchase of houses, condo apartments; and all commercial property. It is also levied when mortgages on such properties are refinanced. The MRT tax rate is 1.5 percent of the value of the mortgage if the amount of the loan is under $500,000, and 1.625 percent for larger mortgages. Currently, sales of coop apartments are not subject to the MRT, since coop financing loans are not technically mortgages. Extending the MRT to coops was initially proposed in 1989 when the real property transfer tax was amended to cover coop apartment sales.

The change would require broadening the definition of financing subject to the MRT to include not only traditional mortgages but also loans used to finance the purchase of shares in residential cooperatives. IBO estimates that extending the MRT would raise $73 million in 2004, $79 million in 2005, $79 million in 2006, and $82 million in 2007.

PROPONENTS MIGHT ARGUE that this option serves the dual purpose of increasing revenue and ending the inequity that allows cooperative apartments to avoid a tax that is imposed on transactions involving other types of real estate.

OPPONENTS MIGHT ARGUE that the proposal will increase costs to coop purchasers, resulting in depressed sales prices and ultimately lower market values.

# OPTION:
# Luxury Apartment Rental Tax

Revenue:
$27 million in 2004, $30 million in 2005,
$32 million in 2006

This proposal would impose a tax on the owner of a residential dwelling unit renting for more than $2,000 per month. A 1 percent tax on the estimated 74,000 apartments renting for $2,000 or more would raise approximately $26.9 million in 2004, rising as rents increase and the number of units renting for above $2,000 rises. For apartments not under rent regulation, the increase could be passed on to tenants in whole or in part (depending on market conditions) when leases are renewed or units become vacant. For rent-regulated units the tax could be taken into consideration when the Rent Guidelines Board sets allowable rent increases, or, with state legislation to modify rent-regulation laws, as a special one-time pass-through increase.

PROPONENTS MIGHT ARGUE that this proportionately small tax would fall largely on the city's well-to-do who could easily afford to pay an average of $30 more per month—the level at which current state law allows a landlord to remove a unit from rent regulation. They might note that for a landlord to take an apartment out of rent regulation, the tenants must also be making more than $175,000 per year. They also could argue that vacancy decontrol for rent-regulated apartments renting for $2,000 or more has yielded significant profits to building owners. Thus, even if increases were not immediately passed on to renters, most building owners could absorb the increase until leases could be renewed and the rent increase passed on.

OPPONENTS MIGHT ARGUE that the property tax already tends to fall disproportionately on rental buildings, compared to either single-family homes or co-op and condo buildings. An additional "luxury" surcharge would fall on many renters who, due to a lack of affordable housing in the city, pay $2,000 or more but for whom this represents a significant financial burden. More than 30 percent of the tenants living in units renting for $2,000 or more per month are paying more than one-third of their income in rent, according to the most recent Housing and Vacancy Survey. More than 17 percent of these tenants are paying more than 50 percent of their income in rent. Even a small increase in rent would be difficult for these tenants to afford. Finally, opponents might argue that the tax would at least initially fall on building owners, who may or may not be able to afford the increase-especially following on the heels of the recent 18.5 percent increase in property tax rates.

# OPTION:
# Toll the East River and Harlem River Bridges

Revenue:
$260 million in 2004, $520 million in 2005, and $520 million in 2006

This proposal involves placing tolls on 12 city-owned bridges between Manhattan and Queens, Brooklyn, and the Bronx. In order to minimize backups and avoid the expense of installing toll booths or transponder readers at both ends of the bridges, a toll equivalent to twice the one-way toll on adjacent Metropolitan Transportation Authority (MTA) facilities would be charged to vehicles entering Manhattan, and no toll would be charged leaving Manhattan. The automobile toll on the four East River bridges (Brooklyn, Manhattan, Williamsburg, and Queensboro) would be $7 cash, or $6 with E-ZPass, equal to twice the one-way toll in the MTA-owned Brooklyn-Battery and Queens-Midtown Tunnels. The automobile toll on the eight Harlem River bridges (Third Avenue, Madison Avenue, 145 Street, Macombs Dam, Alexander Hamilton, Washington, University Heights, and Broadway) would be $3.50 cash or $3 with E-ZPass, equal to twice the one-way toll on the MTA's Henry Hudson Bridge (a ninth Harlem River bridge, Willis Avenue, would remain untolled since it carries only traffic leaving Manhattan). On all of the tolled bridges, trucks would be charged according to size, and buses would be exempt from tolls. Tolls would be instituted at the beginning of calendar year 2004, midway through city fiscal year 2004.

Proponents might argue that the tolls would provide a stable revenue source for the operating and capital budgets of the city Department of Transportation. Some transportation advocates might argue that, although tolls represent an additional expense for drivers, they can make drivers better off by guaranteeing that roads, bridges, tunnels, and highways receive adequate funding. Some transportation advocacy groups have promoted tolls not only to generate revenues, but also as a tool to reduce traffic congestion and encourage greater transit use. Peak-load pricing (higher fares at rush hours than at non-rush hours) is an option that could further this goal. If more drivers switch to public transit, people who continue to drive would benefit from reduced congestion and shorter travel times. A portion of the toll revenues could potentially be used to support improved public transportation alternatives. Finally, proponents might note that city residents or businesses could be charged at a lower rate than non-residents to address local concerns.

Opponents might argue that it is unfair to charge motorists to travel between Manhattan and the other boroughs. Toll opponents draw a parallel with transit pricing policy. With the advent of free MetroCard transfers between buses and subways, and the elimination of the fare on the Staten Island Ferry, most transit riders pay the same fare to travel between Manhattan and the other boroughs as they do to travel within each borough. Tolls on the East River and Harlem River bridges would make travel to and from Manhattan more expensive than travel within a borough. In addition, because most automobile trips between Manhattan and the other boroughs are made by residents of the latter, inhabitants of Staten Island, Brooklyn, Queens, and the Bronx would be more adversely affected by tolls than residents of Manhattan. An additional concern is the impact on small businesses. Finally, opponents might be concerned that even with E-ZPass technology, tolling could lead to traffic backups on local streets and increased air pollution.

# OPTION:
# Initiate the Sale of Radio Cab Medallions

Revenue:
$216 million per year in 2004, 2005, and 2006

This proposal envisions the sale of 1,000 radio cab medallions per year over the next three fiscal years. Radio cabs would be a new class of service, similar to the black car industry in quality of vehicles, but with metered service and the ability to respond to both street hails and telephoned requests for pickup from customers. The cars used would provide a higher level of comfort (including substituting security cameras for plastic partitions) than current city taxicabs. In providing more comfort, they would probably be somewhat more expensive than the estimated $24,000 purchase price of new Ford cabs.

Allowable fares would be higher than the existing yellow cab fare structure by a predetermined amount, with a lighted sign on the roof indicating whether the vehicle is available for street hail.

Estimated revenue is based on a current average sale price of $216,000 per medallion; the exact price is likely to vary from this amount. Although the sale of additional medallions would tend to drive down the price, the higher level of revenues per vehicle would tend to have the opposite effect. Ease of implementation of the sale might require that purchasers buy a set minimum number of medallions, which could then be leased to qualified drivers licensed by the Taxi and Limousine Commission.

PROPONENTS MIGHT ARGUE that the sale of radio cab medallions would both provide revenue and improve cab service. Many customers are unhappy with the cramped back seats of Ford cabs, where legroom is reduced and the plastic partition is a hazard in short stops. Many customers also find that seats in typical cabs are not comfortable for anything but relatively short rides. They would welcome a more comfortable ride, as well as the ability to telephone for a cab to their current location, and would be willing to pay a premium to do so. The additional cabs would be particularly welcome at peak times like the morning and evening rush, and after Lincoln Center events and Broadway plays let out in the evenings. They might also lead to a gradual shift so that all cabs are available for radio calls, as is the case in many cities.

OPPONENTS MIGHT ARGUE that the additional cabs might harm the income of existing drivers of both yellow and black car industry vehicles, that existing driver income is already too low, and that the current supply of vehicles is sufficient to meet demand. They would note that new Ford cabs providing more legroom are gradually being introduced over the next five years. Finally, they might note that the addition of more cabs to Manhattan would only increase congestion, slow the speed of traffic at peak times, and increase cumulative auto emissions.

# OPTION:
# Restore the Fare on the Staten Island Ferry

Revenue:
$4 million annually

This option would restore the fare charged to passengers who board the Staten Island Ferry as pedestrians, beginning in July 2003. Until July 4, 1997, pedestrians paid a round-trip fare of 50 cents. As part of the state and city's efforts to promote a "one city, one fare" policy, fares were abolished at the same time that free MetroCard subway and bus transfers were instituted. Fares are still in place for vehicles ($3 regular fare, $2 for carpools, and $1.50 for senior citizen drivers, all collected each way), but vehicle service has been suspended since the attacks of September 11, 2001.

The Staten Island Ferry is operated by the city Department of Transportation, and in 2000 had 19 million riders. Pedestrians make up the vast majority of passengers—over 95 percent. Gross revenues from a 50 cent round-trip fare would be about $4.5 million per year. Assuming collection costs equal to 10 percent of fares, net revenue would be roughly $4 million annually.

PROPONENTS MIGHT ARGUE that ferry riders should be expected to pay at least a nominal share of the service costs. According to data submitted by the city's transportation department to the Federal Transit Administration, in 2000 the total operating expenses of the ferry were around $43 million. This implies a cost per passenger of $2.25. If the 25 cent fare was restored, passengers would still be paying less than 10 percent of the cost of a ride. In contrast, fares on NYC Transit subways and buses cover over half of operating expenses. In addition, tourists and visitors would also pay a portion of their ride.

OPPONENTS MIGHT ARGUE that charging ferry riders would contradict the "one city, one fare" policy started by the Giuliani Administration. Until 1997, riders had to pay multiple fares if they used more than one bus or a combination of bus and subway to get to their destination. With the advent of MetroCard, free transfers between buses and subways were instituted, and the fare for pedestrians on the Staten Island Ferry was eliminated. As a result, the vast majority of transit users in New York City can now make their trips with only one fare. If passengers were once again charged to use the ferry, most of them would have to pay two fares to travel between home and work or school.

# OPTION:
# Dedicated Property Tax for Parks

Revenue:
$100 million per year

Several cities and regions use a dedicated property tax, sometimes through the structure of a parks taxing district, to help fund local parks. The Minneapolis Park Board, for example, raises over two-thirds of its total parks budget from a dedicated property tax. The Chicago Parks District levies a property tax that generates over $225 million a year. California's East Bay Regional Park District levies a tax of 3 cents for every $100 of assessed value to fund the majority of its $122.1 million budget. Los Angeles County also levies a tax based on assessed value.

To generate $100 million, about half of the Department of Parks and Recreation's yearly budget, property taxes would have to increase by about 1.5 percent of assessed value. This translates into a yearly increase of roughly $34 for the average one-family house, $29 for apartments in large rental buildings, and $48 for the average coop in a large building.

PROPONENTS MIGHT ARGUE that dedicating a portion of the property tax would generate a stable revenue source for the parks department and help protect the parks budget from further cuts. Advocates might also cite surveys showing that voters are more likely to embrace a tax increase if it is dedicated toward a particular use, such as open space.

OPPONENTS MIGHT ARGUE that a dedicated tax is inflexible. In an economic downturn, it is more difficult to shift resources to where elected officials, and the general public, believe they are most needed. Moreover, a dedicated tax protects one agency at the expense of others when budgets must be cut. In light of the recent property tax increase, a new property tax for parks may be difficult for homeowners to accept.

# OPTION:
# Create Dedicated Library Property Tax Districts

Revenue:
$237.2 million in 2004

Many library systems around the country are financed by their own tax revenue sources. Recently, for example, residents on the North Shore of Long Island voted to create a separate library system. To finance their libraries, those homeowners each now pay about $69 per year. New York City is home to three library systems: the New York Public Library, Brooklyn Public Library, and Queens Borough Public Library, as well as the New York Research Libraries. Currently, these libraries operate on a mix of city, state, and federal revenue as well as private contributions.

The creation of dedicated library tax districts assumes that each district individually funds its library through a property tax on residential units. This tax would come on top of the existing general property tax. The following estimates assume that the tax would be levied on the assessed value of residential units at a uniform rate. The New York Research Library would continue to be funded through the city's general fund.

To reach its 2002 city-funded level of $97.2 million, the New York Public Library counties—the Bronx, Manhattan, and Staten Island—must incur an extra 0.36 percent property tax on assessed value. This would translate into the equivalent of a $58 increase for a single-family home in the three boroughs, or $174 for the average condo apartment. Queens would incur a 0.74 percent property tax to fund its library system at the current level of $68.2 million. Single-family homeowners would pay an extra $118 per year. Brooklyn residents would incur a 0.94 percent tax, or about $146 for a typical condo, to fund their library system at $71.8 million.

As can be seen by the discrepancy in tax rates, this method would place the highest increase on Brooklyn residents. Another possible way to use the property tax as a revenue source would be to levy the same tax among all boroughs in the city and then distribute revenues according to need or formula. In this case, to keep funding levels the same, the property tax levy across boroughs would total 0.54 percent of assessed value.

PROPONENTS MIGHT ARGUE that public libraries have historically been especially vulnerable to budget cuts during economic downturns. A dedicated tax would protect library funding. Moreover, they could argue that a dedicated tax may be more appropriate than funding from the general budget in the case of libraries, which are not technically city agencies.

OPPONENTS MIGHT ARGUE that the inflexibility of a dedicated revenue source can hinder political decisionmaking when the city budget must be cut, and shifts the burden of any cuts onto other agencies that may provide services equally deserving of funding. Others might note that property tax revenues—particularly the residential component—tend to grow more slowly than the overall growth in city spending. Over time, therefore, relying on this revenue source could tend to diminish the level of funding the libraries would get relative to other city spending. In addition, the recently increased real property tax rates already have significantly increased the tax burden on residents.

# OPTION:
# Hotel Tax Increase Dedicated for Cultural Affairs

Revenue:
$39 million in 2004, $44 million in 2005, $46 million in 2006, and $48 million in 2007

Between 1990 and 1994, New York City earmarked one-quarter of a 1 percentage point hotel tax increase toward the development of tourism—eliminated, along with a 5 percent New York State tax, in 1995. This proposal would increase the current hotel tax by 1 percentage point—to 6 percent—and earmark the incremental revenue for the Department of Cultural Affairs.

Currently, guests at New York City's hotels pay $2 per room per night, 8.25 percent sales tax, plus a 5 percent hotel tax. Altogether, this is projected to generate $213 million in 2004. An increase to 6 percent would raise $38.8 million in 2004.[1] This revenue could be earmarked toward funding members of the Cultural Institutions Group (34 museums, theaters, zoos, and botanical gardens with historic ties to the city, including being based in city-owned buildings), or to cultural organizations not part of the group.

PROPONENTS MIGHT ARGUE that a hotel tax surcharge to fund cultural organizations would be appropriate because it taxes mostly out-of-town visitors, many of whom come to the city precisely because of its cultural offerings. They might argue that this nominal tax increase would help sustain the museums, theaters, and other attractions that drive New York's $11 billion annual tourism business. They would say this relatively modest increase is unlikely to have much effect on the number of tourists and business visitors.

OPPONENTS MIGHT ARGUE that raising the hotel tax may deter tourism by making hotel stays more expensive. Economic analysis indicates that a hotel tax increase would reduce the number of hotel stays, thus reducing revenues from both sales and hotel occupancy taxes. Finally, a dedicated tax protects one agency at the expense of others when budgets must be cut, and shifts the burden of cuts onto other agencies that may provide services equally deserving of funding.

[1] This estimate does not take into account any effect a tax increase might have on hotel stays, and hence on hotel tax receipts as well as associated sales tax receipts. At most, the impact might reduce total tax receipts by 50 percent, so that the hotel tax increase would gain the city roughly $17 million in 2003, $18 million in 2004, etc. See IBO, *Tax Cut Returns,* July 1997.

# OPTION:
# Sell a Limited Number of Smoking Licenses to Eating and Drinking Establishments

Revenue:
$2.5 million annually

New York City is home to some 19,413 licensed eating and drinking establishments, including bars, cafes, restaurants, fast food establishments, and nightclubs. Recently enacted legislation bans smoking from the vast majority of these places. To accommodate the city's population of smokers, a limited number of these establishments could be allowed to purchase a license that would permit smoking. Allowing smoking in 1,000 bars, cafes, restaurants, and clubs (roughly 5 percent of the total) that pay $2,500 per year for a smoking license would raise $2.5 million annually. The number of licenses and the license fee could be increased or decreased in future years based on demand. Alternatively, licenses could be auctioned through a bidding process.

PROPONENTS MIGHT ARGUE that this would allow people the choice of being in a smoking or nonsmoking atmosphere, while still banning smoking in the majority of the city's restaurants and bars. Some businesses that are at risk of losing substantial revenues as a result of the ban could remain open and profitable. Proponents also could assert that the license fee would easily pay for itself by attracting smoking customers who might have previously gone elsewhere.

OPPONENTS MIGHT ARGUE that the public health purpose of the ban would be undermined, because workers would still be exposed to second-hand smoke. In addition, to the extent that establishments might raise prices to pay for the license, this is effectively another tax on smoking, which tends to disproportionately fall on lower income individuals. The success of the proposal would require effective regulation of the smoking ban in nonsmoking establishments. Finally, they might argue, the fee is a costly annual expense that many smaller establishments could not afford, harming small businesses in favor of larger establishments.

# OPTION:
# Charge $1 Video Rental Fee at Libraries

Revenue:
$6 million annually

In fiscal year 2002, 7 million videos circulated in New York City's library systems. Currently, video rentals at libraries are free and are borrowed for one-week periods. The introduction of a $1 fee per video rental would supplement the revenue stream while still providing a cheaper alternative to private video rentals, which range from $2 to $5 and generally must be returned within one to three days. We assume a drop-off in circulation of 15 percent as a result of imposing the fee.

Implementing this option would be at the discretion of individual library system boards; the city cannot impose the charge. The city could lower its subsidy to the libraries by an amount equal to the revenue from video rental fees.

PROPONENTS MIGHT ARGUE that video rentals are not the libraries' primary mission, which is to provide free opportunities for reading. Rather, the libraries are using city subsidies to provide a free service that is already being provided by the private sector. At $1 per rental, the fee would still be far lower than that of private video rental services, and the borrowing time would still exceed that of private alternatives.

OPPONENTS MIGHT ARGUE that the implementation of a fee would eliminate the only free video rentals in the city, potentially making the service unaffordable for lower income households. They might also express concern that charging for video rentals opens the door to charging for book rentals, violating the tradition of free circulating libraries.

# OPTION:
# Charge for Film and Television Permits

Revenue:
$5 million annually

New York City is a very popular site for shooting movies, television shows, commercials, music videos, etc. In each of the last six years, except 2001, there were over 20,000 location shooting days (the number of shooting days in 2001 was lower—18,096—because of the threat of a strike which speeded up production schedules, and the September 11th terrorist attacks.) The winter 2001 issue of MovieMaker Magazine labeled New York the number one filming location for independent moviemaking. The Mayor's Office of Film, Theater, and Broadcasting coordinates all filming in New York City, and serves as a "one-stop-shop" for permits and logistical assistance. Filmmakers are not charged for these film permits (and in addition are exempted from state and most local sales taxes). Assuming 20,000 shooting days per year, the city would stand to gain $5 million annually from a $250 per day permit fee.

PROPONENTS MIGHT ARGUE that filmmaking consumes city services such as police and sanitation, uses city property, and disrupts neighborhoods. Charging a fee for filming permits will compensate the city for some of the expenses it incurs. There are no substitutes for New York City, they argue: Filmmakers who want to include images of the city's skyline and landmarks must film in the city, so imposing a fee will likely have a limited effect on the number of location shooting days in New York City. They note that the number two city, Vancouver (Canada) does charge permit fees, as well as park fees, police fees, fire department fees, electrical permit fees, and hydrant permit fees. Even with a moderate permit fee, New York would still be providing a valuable service to filmmakers through its "one-stop-shop" permitting process, for a fee well below the cost of city services. The modest fee would not materially affect the costs of production.

OPPONENTS MIGHT ARGUE that New York City is already facing an exodus of filmmakers to other, cheaper locations, and that the imposition of any fee will exacerbate this. According to the Mayor's Office of Film, Theater and Broadcasting, the film industry adds over $5 billion and 70,000 jobs to the city economy annually. If filmmakers leave the city in favor of other locations, it will have a ripple effect on the overall economy. The Canadian government rebates 22 percent of labor costs directly to filmmakers. Combined with the favorable exchange rate, this policy has encouraged more and more filmmakers to work in Canada. Indeed, a film biography of former Mayor Rudolph Giuliani is being filmed in Montreal. New York City cannot afford to lose further films to Canada or other locations.

# OPTION:
# Convert Multiple Dwelling Registration Flat Fee To Per Unit Fee

Revenue:
$1.3 million annually

Owners of residential buildings with three or more apartments are required to register their building annually with the Department of Housing Preservation and Development (HPD). The fee for registration is $13 per building. In 2003, the city expects to collect $1.6 million in multiple dwelling registration fees. Converting the flat fee to a $2 per unit fee would increase the revenue collected by HPD by $1.3 million annually (assuming a 90 percent collection rate).

PROPONENTS MIGHT ARGUE that much of HPD's regulatory and enforcement activities take place at the unit, rather than building level. Tenants report maintenance deficiencies in their own units, for example, and HPD is responsible for inspecting and potentially correcting these deficiencies. Therefore a building with 100 units represents a much larger universe of possible activity for HPD than a building with 10 units. Converting the registration flat fee to a per unit basis more equitably distributes the cost of monitoring the housing stock in New York City. They also would argue that a $2 per unit fee is a negligible fraction of the unit's value, so it should have little or no effect on landlords' costs and rents.

OPPONENTS MIGHT ARGUE that, by law, fees and charges must be reasonably related to the services provided, and not simply a revenue generating tool. Simply registering a building should not be a costly activity for the city. They also might express concern about adding further financial burdens on building owners, particularly after the recent 18.5 percent property tax increase.

# OPTION:
# Expansion of Current Bottle Bill and Return of Unclaimed Deposits to Municipalities

Savings:
$69 million to $132 million annually

This proposal involves two separate actions. First, the state's bottle bill, which requires a 5 cent deposit on certain beverage containers, would be expanded to include all carbonated and noncarbonated beverages, except milk and those alcoholic beverages not already included. Second, instead of the beverage distributor retaining the unredeemed deposits, they would be returned to local jurisdictions in proportion to local sales.

Currently, New York State's bottle bill covers beer and other malt beverages; carbonated soft drinks; mineral and soda water; and wine coolers sold in glass, metal, or plastic containers of up to one gallon. Under the current deposit system, a minimum of 5 cents deposit is collected by the distributor for each filled container sold. The retailer, in turn, charges the consumer 5 cents. When the consumer brings a bottle in for redemption, the consumer receives the 5 cents back from the retailer and the retailer is reimbursed the 5 cents from the distributor for the empty container. However, if more containers are sold than redeemed, there is a balance of deposits left with the distributor. Under the current bottle bill the unredeemed deposits are not required to be returned to the state or municipality and therefore are simply retained by the distributor.

Estimates of the number of containers sold in New York City vary. Depending on the number of containers sold, the city could receive anywhere from $40 million to $100 million under the current bottle bill. With the proposed expansion, the potential revenue increases to between $62 million and $124 million. In addition, with the expansion proposal, there would be savings of roughly $7 million from reduced garbage collection and export.

PROPONENTS MIGHT ARGUE that such a change in the current legislation would help the environment by reducing waste, and could provide a source of funding for the city's recycling and waste reduction programs. In addition, expansion of the types of beverage containers covered would provide additional income to the city's cottage industry of bottle redeemers and reduce litter on city streets and parks. Finally, with more containers covered under the bottle bill, there would be a decrease in the amount of containers thrown in the regular waste stream, producing garbage collection and export savings for the city.

OPPONENTS MIGHT ARGUE the cost to consumers for these products would increase because bottlers and distributors would not be able to offset their additional recycling, handling, and processing costs with unredeemed deposits. Bottlers also worry about potential fraud with "border crossers"—people in neighboring states without deposits will bring their containers to New York to redeem the deposit, even though they were not purchased in New York. Finally, New York City retailers—especially small bodegas and delis—argue that they already lack sufficient space to handle and store returned containers. Many refuse to redeem containers now although they are required to by law.

# OPTION:
# Charge Fees for Assessment Appeals at the Tax Commission

Revenue:
$2.7 million annually

The Tax Commission serves as the city's administrative review body for property tax assessments set by the Department of Finance. In 2001, the Tax Commission received about 43,000 appeals applications. These applications were a small percentage of the total number of properties in the city, but were disproportionately filed by owners of apartment buildings and commercial properties, especially in Manhattan. The Tax Commission charges no fees at present for this service, and is currently budgeted at about $2 million, an amount that is about the same in nominal dollars as was budgeted in 1993. This proposal would institute a filing fee of $40 per applicant, and an additional $50 fee for applicants who proceed to a hearing before Tax Commission members. Approximately 44 percent of all applicants reach the hearing stage.

PROPONENTS MIGHT ARGUE that this service is heavily used by owners of real property who would find these nominal fees far from onerous. Moreover, the initiation of fees might appropriately reduce the Tax Commission's workload and eliminate those who appeal "because they have nothing to lose," i.e. the appeals are free and the Tax Commission has no power to raise assessments, only to lower them. The presence of fees might act to reduce both the sheer number of applicants and the numbers requesting a formal hearing, which is optional. Moreover, other cities such as San Francisco charge separate fees for filing, hearing appeals, and even for receiving written findings from the hearing. A share of the funds generated from fees could be used for ongoing operations or to provide support for desired improvements.

OPPONENTS MIGHT ARGUE that the Tax Commission has historically provided this service at no cost and should continue to do so, and that a property owner has a fundamental right to pursue claims of over-assessment without the hurdle of application fees every year. They also might argue that the fees could drive away property owners who legitimately feel that they have been over-assessed by the Department of Finance, but who do not want to spend money pursuing their claim. That would undercut the Tax Commission's role as a check on maintaining the fair distribution of existing property tax burdens.

# OPTION:
# Charging for CFC/Freon Recovery

Savings:
$3.2 million annually

ChloroFluoroCarbon (CFC) gas, also known as Freon, is considered a major contributor to deterioration of the earth's ozone layer and to global warming. Before discarding any freezer, refrigerator, water cooler, dehumidifier, air conditioner, or other type of appliance containing CFC, city residents are required to schedule an appointment for the recovery of the CFC. There is no charge for this service, although it must be completed in order to have the appliance removed by the city's Department of Sanitation (DOS) on a regular recycling collection day—an item that has had the CFC recovered is "tagged" to indicate that it is ready for collection and disposal. In most other large municipalities, residents are charged between $25 and $100 for CFC removal.

According to DOS's records, 126,350 appliances were tagged for CFC recovery in 2002. The CFC recovery is done by sanitation workers who have completed CFC recovery certification. There are currently 36 certified CFC recovery uniformed workers and eight civilian mechanics who maintain the vehicles used by the recovery workers, as well as eight "Action Center" employees responsible for setting up the recovery appointments (these latter positions are being transferred to the new 311 Call Center). Charging $25 per appointment would generate roughly $3.2 million annually, approximately the personnel costs for the CFC recovery program. At $75 per appointment, the city could collect about $9.5 million, easily covering the personnel and capital costs for the CFC recovery program and providing a funding stream for other programs.

PROPONENTS MIGHT ARGUE that charging a fee for CFC recovery is appropriate because it is a service rendered directly to the resident or business. They could note that most other municipalities charge for CFC recovery.

OPPONENTS MIGHT ARGUE that charging for CFC removal might lead to illegal dumping. In addition, they might express concern about the burden of mandatory charges on low-income households.

# OPTION:
# Add More Park Cafe and Restaurant Concessions

Revenue:
$1 million annually

In fiscal year 2002, snack bars and restaurant concessions in public parks added $6.8 million to the city's revenue stream. The median snack bar paid $14,500 for a concession and restaurant concessions contributed a median of $97,500 each. At these rates, the addition of six restaurants and 30 snack bars in parks around the city could generate an extra $1 million per year.

PROPONENTS MIGHT ARGUE that adding restaurant and cafe concessions would provide increased park use and enjoyment. Park cafes and restaurants have been a successful draw elsewhere, encouraging the use of parks for social as well as recreational purposes. Concessions can be affordable and take up little space. Concession benches and tables can be public domain and thus not interfere with regular park use. Concessions can also help reduce crime by populating parks in evening hours.

OPPONENTS MIGHT ARGUE that cafes and other franchises encroach on park property and on the public's enjoyment of park resources. They object to the introduction of more commercial ventures on public property. They also might express concern about increased litter, particularly as the parks department's fulltime staffing level continues to decline.

# OPTION:
# Add Cafes to Library Reading Rooms

Revenue:
$1 million annually

The three New York City library systems are home to 212 libraries. If 125 libraries set aside a corner for cafes, the systems could raise at least $1 million per year. While it is difficult to estimate the bids and revenue, one possible model is the parks department snack bar concessions, which generate a median of $14,500 per year. Library cafes could operate year-round, while the parks concessions close in winter; library concessions would be limited to beverages and a few types of food, however, while parks concessions include a broader range of food. We use a conservative estimate of library cafe concession bids of $8,000.

PROPONENTS MIGHT ARGUE that the addition of cafe concessions would provide an additional service to libraries while increasing revenue. Cafes are already becoming a staple in private bookstores, which attract patrons through the combination of reading and refreshment.

OPPONENTS MIGHT ARGUE that valuable library space will be taken up by the cafes. Library patrons may also dislike the incursion of private ventures onto public property. Opponents also worry about potential damage to library books and other materials.

# *Savings Options*

# OPTION:
# Reduce the City Subsidy to Private Bus Companies

Savings:
up to $100 million annually

This option involves reducing the operating subsidies that the city pays to seven private bus companies that provide local service in Queens and Brooklyn, and express service to Manhattan from the other four boroughs. The companies currently receive about $100 million per year in operating assistance from the city, and $50 million from the state. The city's direct subsidy to the private bus companies represent around 40 percent of their roughly $260 million in total operating costs. The city could reduce its subsidy by negotiating with NYC Transit for a takeover of the private bus routes. Alternatively, the city could terminate the current franchise agreements with the bus companies and open the routes to competitive bidding.

PROPONENTS MIGHT ARGUE that eliminating the subsidy should be linked to a takeover of the routes by NYC Transit. NYC Transit bus operations receive proportionally less direct subsidy from the city than do the private buses. City operating assistance to NYC Transit (matched by the state) currently makes up only a little over 4 percent of total NYC Transit revenues. Takeover advocates argue that by having all city bus routes under one system, overall cost savings could be achieved from lower overhead and a reorganization of routes and schedules.

Other proponents might argue that contracting out the bus routes through competitive bidding would lead to better service at a lower cost to taxpayers. A recent study by the Manhattan Institute concluded that competitive contracting of bus service in New York City would reduce the cost of providing the service by at least 20 percent. A reduction of this magnitude would translate into a savings of over $50 million annually for the private bus service, and could thus reduce the need for a city subsidy by half.

OPPONENTS MIGHT ARGUE that eliminating or reducing the city subsidy to private bus companies would result in drastic service cuts and perhaps higher fares. Transferring the routes to NYC Transit, in addition to requiring state legislative action, would mean that the existing pot of transportation subsidies would have to be stretched further, and might ultimately require the city to increase its funding. Opponents of competitive bidding are concerned about the impact on service quality, and on the welfare of existing bus company employees. Some who oppose competitive bidding suggest that better service and lower costs could be achieved through contractual changes.

# OPTION:
# Re-Open Fresh Kills

Savings:
$198.7 million in 2004, $203.6 million in 2005, $208.5 million in 2006, and $212.8 million in 2007

In May 1996, former Mayor Giuliani and Governor Pataki announced that the Fresh Kills Landfill would be closed by December 31, 2001—a decision subsequently ratified in New York State law. In place of Fresh Kills, the city's Department of Sanitation (DOS) has been operating under a costly interim export plan that involves trucking most of the city's waste to disposal sites outside of the city. The original plan was for DOS to work under the interim export plan until the infrastructure necessary for implementation of a long-term Solid Waste Management Plan had been put into place. But the long-term plan has met with repeated implementation delays.

These factors, plus the city's current financial situation, have raised the idea of re-opening Fresh Kills landfill. Disposal at Fresh Kills costs roughly 32 percent less per ton than under the current export contracts—in 2004, disposal at Fresh Kills would cost $45 per ton, while export will cost on average $66 per ton. Comparing total collection and disposal costs shows that the export plan is roughly $198.7 million more expensive in 2004 than disposal at Fresh Kills.

PROPONENTS MIGHT ARGUE that Fresh Kills was closed when it still had 20 years of capacity left. Since there are no disposal facilities within the five boroughs, the city is at the mercy of out-of-state landfill owners and does not have the bargaining power it needs to negotiate tipping fees (per ton dumping fees). Proponents also note the adverse health and environmental impacts of trucking waste through city neighborhoods, as opposed to transporting it by barge to Fresh Kills.

OPPONENTS ARGUE that re-opening Fresh Kills would be in violation of numerous state and federal environmental laws. This is because Fresh Kills is an unlined landfill with substantial leachate problems, and is located in a tidal wetland. Re-opening the landfill would require both federal and state approvals. To date, the federal government has never approved the re-opening of an unlined landfill like Fresh Kills. As a result, the city would likely have to incur very substantial costs—$200 million by some estimates—in order to bring the site into compliance. Moreover, the state has passed a law prohibiting the siting of a landfill within the city, subject to a fine of $25,000 per day. This law would need to be changed for Fresh Kills to re-open. Opponents would certainly take the city to court to avoid re-opening the site, and even if the city ultimately was successful, the litigation would take years, effectively negating any savings.

# OPTION:
# Pay-As-You-Throw

Savings:
$171 million annually

Under a so-called "pay-as-you-throw" (PAYT) program, households would be charged for waste disposal based on the amount of waste they throw away—in much the same way that they are charged for water, electricity, and other utilities. The city would continue to bear the cost of collection and other sanitation department services funded by city taxes.

PAYT programs are currently in place in over 5,200 communities across the country. PAYT programs, also called unit-based or variable-rate pricing, provide a direct economic incentive for residents to reduce waste: If a household throws away less, it pays less. Experience in other parts of the country suggests that PAYT programs may achieve reductions of 14 percent to 27 percent in the amount of waste put out for collection. There are a variety of different forms of PAYT programs using bags, tags, or cans in order to measure the amount of waste put out by a resident. Residents purchase either specially embossed bags or stickers to put on bags or containers put out for collection.

Based on current waste disposal costs and volume and recycling diversion rates before the recycling program was suspended, IBO estimates that each residential unit would pay an average of $64.25 a year for waste disposal in order to cover the cost of disposal and reinstate the recycling program, achieving a net savings of $171 million. A 14 percent reduction in waste would bring the average cost per household down to $55.25 and a 20 percent reduction would further lower the average cost to $51.40 per residential unit.

PROPONENTS MIGHT ARGUE that by making the end-user more cost-conscious the amount of waste requiring disposal will decrease, and in all likelihood the amount of material recycled would increase. They also point to the city's implementation of metered billing for water and sewer services as evidence that such a program could be successfully implemented. To ease the cost burden on lower income residents, about 10 percent of cities with PAYT programs have also implemented subsidy programs, which partially defray the cost while keeping some incentive to reduce waste. Proponents might also suggest that starting implementation with Class 1 residential properties (one-, two-, and three-family homes) could help equalize the disparate tax rates between Class 1 and Class 2 residential buildings while achieving savings of $67 million. They might also argue that illegal dumping in other localities with PAYT programs has mostly been commercial, not residential, and that any needed increase in enforcement would pay for itself through the savings achieved.

OPPONENTS MIGHT ARGUE that pay-as-you-throw is inequitable, creating a system that would shift more of the cost burden toward low-income residents. Many also wonder about the feasibility of implementing PAYT in New York City. Roughly two-thirds of New York City residents live in multifamily buildings with more than three units. In such buildings, waste is more commonly collected in communal bins, which could make it more difficult to administer a PAYT system, as well as lessen the incentive for waste reduction. Increased illegal dumping is another concern, which might require increases in enforcement, offsetting some of the savings.

# OPTION:
# Eliminate Grass Clippings from Trash Collection

Savings:
$5 million annually

Currently, the Department of Sanitation (DOS) collects bagged grass clippings from residential yards around the city. Grass clippings are not included in the citywide composting program (which is temporarily suspended due to budget cuts) because they cannot be composted on such a large scale. Potential odor problems associated with this material would affect communities near the compost sites. Instead, they join the regular stream of refuse exported from the city.

Grass clippings represent 78,000 of the 100,000 tons of yard waste the city collects every year but cannot recycle. To reduce this portion of refuse tonnage, DOS has encouraged residents and institutions not to bag grass clippings and place them out for collection. Instead, residents are urged to let grass clippings decompose naturally on their lawns. DOS has published a brochure to encourage such practice entitled, "Leave it on the lawn: A guide to mulch-mowing."

If the city eliminates grass clipping collection entirely, approximately $5 million would be saved annually. This represents the export cost of 78,000 tons of garbage, based on the average cost of the four boroughs' (excluding Manhattan) export contracts with commercial haulers.

Proponents might argue that eliminating the collection of grass clippings from residences would significantly decrease export tonnages of New York City garbage. Export currently costs the city an average of $66 per ton of trash. In addition, grass clippings provide natural fertilizer for lawns. This decreases pollutants in our wastewater stream, as well as providing cost savings to residents.

Opponents might argue that grass clippings left on lawns are a nuisance to residents, and can damage lawns. Using mulching mowers is ideal for grinding the clippings down to the appropriate size for fertilizing. However, these mowers would represent an added cost to residents. Finally, only a small segment of the city's residents would bear the burden of this citywide savings.

# OPTION:
# Redeploy Police Officers Currently Assigned to the Drug Abuse Resistance Education (DARE) Program

Savings:
$2.5 million annually

About 85 uniformed personnel are currently assigned to the Youth Services section of the police department. One of the principal responsibilities of this unit (which operates under the direction of the Deputy Commissioner for Community Affairs) is to teach the Drug Abuse Resistance Education (DARE) curriculum within city schools.

Recent studies, including studies sponsored by the U.S. Department of Justice and the General Accounting Office, have raised serious questions about DARE's effectiveness in reducing adolescent drug use. For this reason, and because of the costly involvement of trained law enforcement personnel, a number of cities in recent years have dropped DARE programs in their schools. Assuming that elimination of the DARE program in New York City schools would allow for the redeployment of roughly half (or 42) of the police officers now assigned to the department's Youth Services section, annual savings of about $2.5 million would result.

PROPONENTS MIGHT ARGUE that although DARE is obviously a well-intentioned program, the Bloomberg Administration's plan to reduce police staffing in the coming years by 1,900 officers requires maximizing the number of officers providing street patrol and the other direct law enforcement services for which they are uniquely trained. Were the DARE program eliminated, the city's Department of Education could rely on its existing pedagogical staff as well as certified drug abuse counselors to instruct students on the hazards of drug use. As noted, some recent studies have also questioned DARE's effectiveness.

OPPONENTS MIGHT ARGUE that even if DARE's long-term impact on drug usage has been overstated (a concession many are not willing to make), the program is invaluable because it provides school children with opportunities to interact positively with uniformed police personnel.

# OPTION:
# Reduce Discretionary Funding to Cultural Institutions

Savings:
$50 million annually

The 34 members of the Cultural Institutions Group (CIGs) mostly operate on land owned by the city. These institutions—ranging from the Metropolitan Museum of Art to the Staten Island Historical Society to the Brooklyn Children's Museum—receive operating support for energy costs and health insurance for union workers under their contracts with the city. Beyond the contracted payments, which totaled $22.1 million in 2002, the CIGs received an additional $75.4 million in discretionary funding. The city could reduce discretionary funding to the CIGs by two-thirds, saving $50 million, and retain the $25 million difference to allow for new non-discretionary needs and perhaps competitively awarded grants.

PROPONENTS MIGHT ARGUE that the 34 members of the Cultural Institutions Group receive a far larger amount of city funding than do the over 200 cultural programs not on city-owned land that annually receive some city funding. Even with the elimination of discretionary funding, the CIGs would still receive an average of $1.4 million each, vastly eclipsing the amount spent on other cultural programs, which received $86,000 on average in 2002.

OPPONENTS MIGHT ARGUE that these institutions have high operating costs and have historically depended on city support. They also tend to serve larger populations than do the majority of cultural program groups. The eliminated city funds probably could not easily be raised privately, especially in a difficult economic climate. Suggested admission prices are already high at many institutions, and might have to rise further to cover costs, deterring some potential visitors. Finally, many of the city's cultural institutions have been credited with drawing out-of-town visitors to New York. If services are cut or admission prices increased, tourism and its accompanying spending on restaurants, hotels, and shopping could fall.

# OPTION:
# Provide Assistance to Homeless Shelter Residents to Leave Shelter System

Savings:
$15 million annually

The average length of stay for a family in the Department of Homeless Services (DHS) emergency shelter system is nearly 10 months, and the average single adult stays over three months. The longer a household remains in the shelter system, the more expensive it is for the city. Giving one-time assistance to families or individuals who leave the shelter system faster—for example, within three months for families and one month for single adults—could save the city money.

Assuming a maximum grant of $2,000 for families and $1,000 for adults, there are significant savings to the city even with a relatively high level of fraudulent claims (i.e., by residents who would have left emergency shelter within the timeframe anyway, without the assistance). Assistance could be paid directly to landlords, movers, utility companies, or other service providers—as has been done in Suffolk County—to reduce the incentive to repeatedly circulate in and out of the shelter system to get multiple bonuses, and to limit payments to what is actually needed.

PROPONENTS MIGHT ARGUE that the shelter system is frequently abused by residents who refuse to look for permanent housing or who reject an available and adequate apartment. In their view, this is a much more generous and gentle approach than the alternative of evicting from shelters families who refuse a "suitable" apartment. They might argue that the city should try to shorten time in shelters as much as possible, both on cost grounds, and because shelter residents should be induced to stabilize their housing situation as quickly as possible.

OPPONENTS MIGHT ARGUE that there are not enough adequate affordable housing opportunities available for homeless families and single adults without a significant increase in public investment. They fear that the assistance could serve as an incentive to move into unsafe or overcrowded housing.

# OPTION:
# Reduce Emergency Homeless Shelter Costs through Diversion Assistance

Savings:
$33 million annually

In fiscal year 2002, 6,360 families and 10,087 single adults entered the Department of Homeless Services (DHS) shelter system. Families stay in the shelter system nearly 10 months on average, and single adults over three months. The average cost of an emergency shelter stay is about $28,000 for families and $4,800 for adults. Some of these households might be able to avoid homelessness if they were given a cash grant that would allow them to stave off the threat of eviction or obtain an apartment. The city's Human Resources Administration currently provides diversion assistance to eligible public assistance recipients. In its June 2002 Strategic Plan, DHS indicated that it was considering expanding diversion assistance to reduce the shelter population.

Diversion payments would be based on need and could be capped both in dollar amount and in the total number of times a family or individual could receive a payment. In this estimate we assume a payment capped at $2,400 for families and $1,200 for individuals. The average payment would be lower. But because the cost of providing emergency shelter is so high, there would be savings to the city even with a payment this high and with a certain amount of fraud (i.e., payments made to persons who did not actually face homelessness).

PROPONENTS MIGHT ARGUE that, rather than spend the $500 million it costs the city to provide emergency shelter, a small emergency grant that would allow at least some families and individuals who face the imminent threat of homelessness to remain in their homes. Homelessness has serious consequences for the people who experience it, particularly children, who account for more than half the shelter population. Preventing at least some cases of homelessness would save the city money and avoid the detrimental effects of homelessness.

OPPONENTS MIGHT ARGUE that nationally and in New York City the evidence of the cost-effectiveness of diversion assistance is mixed, because it is impossible to know how many households would have become homeless in the absence of the program. They fear the opportunity for abuse of a government program through fraudulent applications. In addition, they might note that there would be additional administrative costs associated with reviewing claims for diversion assistance, which would reduce the total savings.

# OPTION:
# Collect Debt Service on Supportive Housing Loans

Savings:
$1.5 million in 2004, $3.0 million in 2005, $4.5 million in 2006, $6.0 million in 2007

The Department of Housing Preservation and Development (HPD) makes loans to nonprofit developers building supportive housing for homeless and low-income single adults through the Supportive Housing Loan Program. Borrowers are charged 1 percent interest on the funds, but as long as the housing is occupied by the target population, HPD does not collect debt service—either principal or interest—in effect making the loan a grant.

Collecting both principal and interest on new loans, which have averaged $39 million per year over the last five years, would yield $1.5 million in revenue in the first year, and grows as the total volume of outstanding loans grows. We assume the loans are made for a 30-year term. Collecting only the interest, while forgiving the principal, would yield less revenue, beginning with about $400,000 in the first year, growing to $1.5 million per year by 2007.

PROPONENTS MIGHT ARGUE that the Supportive Housing Loan Program is the only HPD loan program in which debt service is not collected. Recouping these loan funds could allow HPD to stretch its available funds to support more housing development. Because the interest rate is very low, the supportive loan program would still provide a significant subsidy to the nonprofit developers, particularly if only the interest was collected.

OPPONENTS MIGHT ARGUE that, because the loan program projects serve extremely low-income clients, developers simply do not have the rent rolls necessary to support debt service. The nonprofit developers would be unable to support loan repayments, even on very low-interest loans. Significantly less housing would be built for a particularly vulnerable population. The result would be more people living on the streets or in the city's costly emergency shelter system. They might argue that even a deep subsidy for permanent housing is more cost-effective—and humane—than relying on the shelter system.

# OPTION:
# Increase Public School Class Sizes by Two Students

Savings:
$285 million annually

This proposal involves reducing teacher headcount by increasing class sizes throughout the public school system. Increasing class sizes in K-8 by two students would raise pupil-to-teacher ratios in the community school districts by 7 percent and eliminate 2,300 teaching positions. Increasing class sizes by two students in grades 9-12 would raise pupil-to-teacher ratios by 6 percent in high schools and trim 700 teaching positions. Increasing special education pupil-teacher ratios proportionately would eliminate another 900 positions, for a total staff reduction of 3,900 teachers. The estimated annual savings of $285 million is based on current salaries and benefits with no allowance for future raises. The Department of Education (DOE) is currently prohibited from raising class sizes in grades K-3 under the terms of a state categorical grant. Governor Pataki, however, has in the past proposed replacing the class-size reduction grant with a block grant. Another potential obstacle is the provision in the teacher's contract that prescribes maximum class sizes.

PROPONENTS MIGHT ARGUE that the city cannot afford to sustain the recent expansion of the teaching force that has added roughly 10,000 teachers over the past five years. They might say that small increases in class size would have minimal impact on academic achievement. They could cite scholarly research indicating that the evidence linking smaller class size with academic performance is ambiguous, particularly in the middle and high-school grades. Scaling back the size of the teaching force would make it easier for DOE to recruit sufficient numbers of qualified pedagogues.

OPPONENTS MIGHT ARGUE that class sizes in New York City are already among the highest in the state and that making them any larger would be counterproductive. Opponents could cite academic research linking smaller class sizes to stronger student performance, particularly in the early grades. They also might cite the desire of parents to have their children receive individualized attention. Finally, they are concerned about the potential for a heavier teaching load to drive qualified teachers out of the system.

# OPTION:
# Terminate the Vallone Scholarship Program for CUNY Students

Savings:
$1.0 million in 2004, $5.5 million by 2007

This option would phase out a City Council initiative that provides merit scholarships to City University of New York (CUNY) students who are graduates of New York City public, private, and parochial schools. While no new scholarships would be granted beginning in 2004, scholarships would continue to be paid for students currently receiving them while they remain at CUNY. The Peter F. Vallone Academic Scholarship program rewards students who graduate from high school with a B average or better and maintain a B average or better in bachelor's and associate degree programs. Vallone Academic Scholars receive grants of $1,000 per year, which covers 31 percent of senior college tuition or 40 percent of community college tuition. The merits of this proposal should be weighed in conjunction with state actions on CUNY tuition and tuition aid.

The city Financial Plan includes the $5.5 million savings from eliminating the program in 2004. Four previous efforts by the Giuliani and Bloomberg Administrations to eliminate the program have failed, however, with the City Council restoring funding each year.

PROPONENTS MIGHT ARGUE that eliminating the scholarship would impose minimal hardship on students because of the widespread availability of need-based financial aid. Government-sponsored aid includes the state Tuition Assistance Program and federal Pell Grants as well as guaranteed student loans and tax credits. Unlike these programs, the Vallone scholarships are not based on need. As a result some city resources are benefiting students who with little need for the assistance. Proponents also might point out that a CUNY education is already highly subsidized with annual tuition charges of $2,500-$3,200, compared with tuition of $20,000 per year or more at many local private universities. Some recipients are not city residents because they have moved to surrounding areas subsequent to high school graduation.

OPPONENTS MIGHT ARGUE that eliminating the Vallone scholarships would discourage high school students with strong academic records from matriculating at CUNY and therefore harm efforts to improve the university's reputation. CUNY has been concentrating recently on raising the academic standing of its incoming students, including inaugurating an Honors College and tightening admissions criteria at the senior colleges. Opponents also might note that the Vallone program has already been reduced from $7.0 million per year to $5.5 million.

# OPTION:
# Reduce Optional Medicaid Benefits for Dental Care and Transportation

Savings:
$38 million in 2004, $40 million in 2005, $42 million in 2006, and $44 million in 2007

This proposal would reduce the scope of dental care and transportation services provided to Medicaid recipients in New York. Both dental care and transportation are among a wide variety of optional benefits under federal Medicaid law that New York State has chosen to include in its Medicaid program. The federal government funds 50 percent of the cost of these services, with the state and city each responsible for 25 percent. Under this proposal Medicaid administrators would cut the cost of these services in half by reducing the mix of specific dental and transportation services available to Medicaid recipients. Those specific services judged to be the least necessary would be limited or eliminated. Implementation of the proposal would require the approval of state officials and might have to be done on a statewide basis. Both the state and federal governments would share in any savings.

PROPONENTS MIGHT ARGUE that it is critical for the city to begin to limit its Medicaid costs. The November 2003 Financial Plan projects that combined city-funded Medicaid expenditures at the Human Resources Administration (HRA) and the Health and Hospitals Corporation (HHC) will reach $3.8 billion in 2003 and rise each year through 2006. Reducing Medicaid spending would require either decreasing Medicaid enrollment or reducing the cost per recipient. Due largely to welfare reform policies, the number of city residents enrolled in Medicaid decreased from 2.008 million in March 1995 to 1.757 million in January 2000. Concerns about the rising number of uninsured New Yorkers then led city officials to implement enhanced Medicaid outreach and recruitment efforts, and by September 2001 the number of individuals enrolled in Medicaid had increased to 1.860 million. The implementation of Disaster Relief Medicaid after the September 11 attacks and the creation of the Family Health Plus program pushed the Medicaid rolls to 2.335 million by August 2002. These recent increases in Medicaid enrollment make it all the more important that the city find ways to decrease its cost per recipient.

OPPONENTS MIGHT ARGUE that this proposal would deny vital health services to low-income New Yorkers, who would otherwise be unable to afford these services. Medicaid transportation services are generally provided to recipients who are too ill or incapacitated to use public transportation to and from their health care providers. For many, the cost of private car or van services could be prohibitive. Similarly, Medicaid recipients often lack the resources to pay for their own dental care. In addition, the city could end up indirectly paying for dental services as Medicaid enrollees who are denied access to their usual providers begin making use of the dental clinics at HHC.

# OPTION:
# Reduce Funding for School-Based After-School Programs

Savings:
$8 million annually

The Department of Youth and Community Development currently supports 79 Beacon Centers, school-based community centers that offer a range of activities and services for young people and adults. New York City launched the Beacons initiative in 1991 as part of a citywide anti-drug strategy. The centers are mandated to offer substance abuse education for all youth and intensive specialized services for at-risk youth. The centers are also expected to provide activities that promote youth development. Some of the Beacon Center programs include academic support and enrichment; sports and recreation; arts and cultural activities; health education, parent support and counseling; and adult education, including high school equivalency and English as a Second Language programs.

This budget option proposes reducing and redistributing the total number of Beacons based on student population size in each community school district. The availability of other after-school services (i.e., The After-School Corporation's After Three Program) in specific community school districts was taken into consideration. This proposal would result in the elimination of 20 of the 79 centers currently operating in the city for an approximate savings of $8 million.

PROPONENTS MIGHT ARGUE that similar after-school services are provided in the community with the support of other government agencies such as the Department of Education and private sector businesses and foundations. Moreover, other nonprofits such as The After-School Corporation, which also provide academic support and enrichment in city public schools, are more effective at combining city and private dollars. Further, recent research in the area of adolescent substance abuse, current rates of drug use, and a prior evaluation of the city's Beacon Centers all suggest that the initiative may be falling short of its primary goal of reducing illicit drug use among the city's youth. Finally, the program has faced continuing problems with the quality and quantity of physical space available for its programs in public school buildings. A scaled-back program would eliminate some sites with sub-optimal space arrangements.

OPPONENTS MIGHT ARGUE that there are very few dedicated funding streams for youth development at any level of government, especially for children 13 and older, and eliminating or reducing city funds would make the gap more acute. In addition, there is a shortage of affordable, high-quality after-school programs. After-school programs help working families by providing a safe place for youth to go to until parents arrive home. Recent research suggests that after-school programs that provide adult supervision at least five times a week during high risk hours (3pm-6pm) can protect youth and delay or reduce their participation in unprotected sex, crime, and drug experimentation. Additionally, the Beacon Centers provide a broader array of programs for the entire family—children and parents—than typically available in other youth programs.

# OPTION:
# Wage Deferral for Municipal Workers

Savings:
$205 million in 2004

Under this option the city would withhold the equivalent of one week's pay from all city workers, reducing payroll costs by just under 2 percent. Employees would receive the deferred pay upon leaving city service. Implementation of this proposal would have to be negotiated with municipal unions.

Other localities, notably Nassau County, have instituted a "payroll lag" in agreement with its unions in order to avoid layoffs. Workers agreed to receive 10 days pay for each 11-day work period. A one-week lag was also adopted by New York State in 1990 as part of a larger package to address a $900 million state deficit.

PROPONENTS MIGHT ARGUE that this proposal generates savings while sparing employees the hardships of layoffs—in effect, spreading the pain associated with layoffs over the much larger population of all city employees. The city would be able to generate savings while maintaining services at current levels. Additionally, unlike no-work/no-pay strategies, employees would recover deferred pay in a lump sum when they retire or leave city service. Proponents also note that the proposal would be more appealing to unions if the city, in addition to agreeing to a no-layoff policy, would also agree to pay all deferred wages when its fiscal condition improves.

OPPONENTS MIGHT ARGUE that a reduced salary would impose financial hardship on many city workers. Additionally, opponents also say that any wage deferral would have an adverse effect on employee morale and result in lower productivity. Opponents also argue that a wage deferral may encourage the city's most skilled workers to leave city employment. Finally, critics might also note that this proposal does not generate recurring savings to the city.

# OPTION:
# Two Hour Reduction in Municipal Employees' Workweek

Savings:
$144 million in 2004, $148 million in 2005, $152 million in 2006, and $155 million in 2007

This proposal uses an alternative work schedule in order to reduce payroll costs. Employees would leave early once a week (or once every two weeks for half of the savings). The work week would be reduced by two hours to 33 hours a week. School teachers, emergency workers, or agencies that are facing serious staff shortages would be exempt from the program. For purposes of calculation, we exclude all the uniformed employees, the Department of Education, and the Administration for Children's Services. The program would produce a 5.7 percent annual reduction in wage costs in affected agencies. This level of savings is equivalent to 3,300 avoided layoffs. Employees would be rotated and scheduled in a manner that would minimize service disruption. The city would have to bargain over the impact and implementation of the program with its unions.

PROPONENTS MIGHT ARGUE that by avoiding layoffs, the city and its workforce can return to normal operations without the expense of hiring and training new employees when the city's fiscal problems abate. Private and public sector employers have instituted reduced work schedules in lieu of layoffs or some variation of this measure in many localities across the country as a way of lowering payroll costs while maintaining an experienced workforce. Other supporters might argue that reduced pay would be better for employee morale than layoffs. Proponents also say that service delivery can be maintained if agencies adjust work schedules.

OPPONENTS MIGHT ARGUE that reduced pay would have an adverse effect on employee morale and result in lower productivity. Additionally, at a time when the city is already seeking cooperation from unions to reduce labor costs, municipal employees would argue that the city is asking them for more than their fair share of give backs. Opponents also might argue that reducing the workweek could lead skilled and experienced employees to leave city employment. Finally, some also believe it would be difficult to adjust workloads and schedules to preserve current levels of city services.

# OPTION:
# Reduce the Number of Paid Holidays for City Workers

Savings:
$15 million annually

New York City employees are eligible for 12 paid holidays, two more than other public and private sector workers typically receive. City workers who must work on holidays are paid a holiday bonus (emergency employees required to work on scheduled holidays such as police officers and firefighters are eligible for 11 paid holidays in addition to their yearly base salary). Under this proposal, the city would eliminate one holiday to save approximately $15 million annually in holiday pay or two holidays for twice the savings.

To the extent that the city has the flexibility to reallocate workers and share tasks in certain agencies, the resulting productivity increase may enable the city to reduce the civilian workforce for additional savings. Implementation of this proposal is subject to collective bargaining.

PROPONENTS MIGHT ARGUE that the city should not provide its employees with more paid holidays than other public and private sector workers typically receive. Proponents also might note that this proposal could provide savings to the city while avoiding more drastic measures such as layoffs or involuntary, unpaid furloughs. Finally, the proposal also has the potential to generate additional savings.

OPPONENTS MIGHT ARGUE that the city must provide a generous benefits package in order to recruit a quality workforce, given that city salaries often may be below comparable private-sector jobs.

# OPTION:
# Health Insurance Co-Payment by City Employees

Savings:
$191 million in 2004, $207 million in 2005, $223 million in 2006

The city's health insurance costs have increased sharply over the past decade. Savings could be achieved by renegotiating municipal workers' health benefit package to shift a portion of health insurance premium costs to active employees and retirees. Specifically, employees and retirees would contribute 10 percent towards their health insurance premiums for individual and family coverage. Implementation of this proposal would have to be negotiated with municipal unions.

The majority of public and private sector employers require some co-payment towards health insurance premiums. New York State employees are required to pay 10 percent towards the cost of individual coverage and 25 percent of the additional costs of family coverage.

PROPONENTS MIGHT ARGUE that this proposal generates recurring savings for the city and potential additional savings by giving city employees the incentive to become more cost conscious and work with the city to seek lower premiums. Proponents also might say that given the dramatic increase in health insurance costs, premium cost sharing could prevent a reduction in the level of benefits. Additionally, proponents could argue that contributing a share of the costs in a defined-benefit plan would be preferable to shifting to a defined contribution plan where the city gives the employee a fixed amount of money to purchase health insurance plans. Finally, they note that employee co-payment of health insurance premiums is common practice in the private sector, and increasingly in public employment as well.

OPPONENTS MIGHT ARGUE that requiring employee contributions for health insurance would be a burden, particularly for low-wage employees. Critics contend that cost sharing would merely shift the burden of rising premiums onto employees, with no guarantee that slower premium growth would result. Also, opponents fear that once cost sharing is in place, the city would be more likely to ask employees to take up an ever bigger share of the costs if health insurance premiums continue to rise. Finally, critics might say that cost-shifting measures could impact the city's effort to attract or retain talented employees in the long run.

# OPTION:
# Managerial Bonus Pay

Savings:
$430 million annually

Under this option, managers across city government agencies would be eligible to earn bonuses of $10,000 each beginning in 2004. They would earn this bonus if their agencies were successful in reducing spending of city funds by at least 5 percent over planned levels, by leveraging efficiencies rather than through service cuts. All budget managers, and all other managers with direct supervisory responsibility, would be eligible to participate. Awards would be made on an agency-by-agency basis; if an agency met its 5 percent target, then each eligible manager in that agency would receive the cash award.

City funded expenditures made by agencies—excluding non discretionary items like debt service and pension contributions—are in the range of $18 billion. A 5 percent reduction across the board would produce savings of $900 million. If agencies responsible for half of city funded spending achieved the 5 percent target, a total of $450 million would be saved. With perhaps as many as 2000 managers working in the successful agencies potentially eligible for a $10,000 bonus, the bonuses would cost $20 million and the net savings would still be $430 million.

Alternatively, this option could be structured as a gainsharing initiative, with all agency employees sharing in the bonus for achieving the targeted savings. Opening a gainsharing plan to workers in all city agencies would require complex labor negotiations, and a consistent program throughout the workforce may be difficult to achieve.

PROPONENTS MIGHT ARGUE that paying managers for measurable performance in reducing costs and promoting efficiency makes very good sense. Managers need not be paid at equivalent levels if their performance varies, and the private sector often ties bonus pay to performance in achieving stated goals. Bonus pay reverses the incentives that usually exist in city government to spend a department's full allocation, based on the fear that lower spending will give budget officials in the administration and the City Council a green light to reduce the agency's budget in future years.

OPPONENTS MIGHT ARGUE that in a time of fiscal scarcity, it sends the wrong signal to allow for bonus payments, even if linked to goals of overall budget savings. Moreover, some opponents fear that the savings will not be achieved by true efficiencies and doing more with less, but with outright service reductions that harm the public. They argue that it makes no sense for city managers to be rewarded if the quality and quantity of government services deteriorates, and fear that the bonuses will be paid as long as budget goals alone are achieved.

# OPTION:
# Managed Competition for Refuse and Recycling Collection

Savings:
$16.9 million in 2004, $34.8 million in 2005, and $71.1 million in 2006

This proposal would allow the Department of Sanitation (DOS) to do a phased managed competition initiative, where private sector companies and city workers are bidding side by side to provide regular and recycling pickups at the lowest cost. Implementation would be gradual, with 6 of 59 districts participating in 2004. In 2005, the program would double to 12 districts, and in 2006 it would stabilize at 24 districts. It is possible that the expansion of the program also would create similar efficiencies eventually in the unaffected districts as labor contracts are renegotiated, but the only savings accounted for here are from the directly participating districts. These districts would be selected by DOS and identified in the bidding process, and might be sensibly grouped together so that bidders could capture economies of scale.

Other localities, notably Phoenix, have embarked on managed competition initiatives with good results. In Phoenix, private companies initially won the bids. Ultimately public sector workers won these contracts back by bidding more aggressively and creating significant collection efficiencies, which are typically measured in tons collected per truck shift. In one IBO study, Phoenix was collecting more than twice the refuse per truck shift than did New York. Other localities have also relied on private sector provision of their municipal refuse services. Typical savings in other cities from solicitation of bids are about 25 percent of current costs, which is what is assumed here. Actual savings could be more or less, depending on the winning bids in New York.

Proponents might argue that it is essential for the city's tax dollars to be spent as efficiently as possible, and that sanitation represents a clear opportunity for greater efficiencies. They could note that data on refuse collected per truck shift show relatively constant numbers over the years, a sign that efficiencies are not being aggressively pursued. Managed competition will produce savings that would otherwise not be available for other city services or gap closing, and can also be used to help finance the increasing costs of waste export. Contracts could specify that in the event that private companies win the contract, current sanitation workers would be hired preferentially. Moreover, nonparticipating districts are likely to significantly improve their efficiency as the program expands, generating additional savings.

Opponents might argue that it would be dangerous to contract out a core city service like sanitation to a small group of major players in the refuse industry, because the city is already working with the same group of companies in their bids for waste export contracts. They might also contend that municipal workers would fear for their job security and city health and pension benefits if an initiative like this one is implemented. They also could argue that the sanitation department's municipal workers do double duty in snow removal, and that the private companies would have to gear up for this part of DOS's current mission.

# OPTION:
# Increase Workload for Public School Teachers by One Classroom Period per Day in Exchange for a Modest Raise

Savings:
$535 million annually

This proposal involves reaching an agreement with the United Federation of Teachers to increase teacher workloads in the public schools by one classroom period per day. Under the current teachers' contract, classroom instructors officially work 6 hours and 40 minutes per day, including a lunch break and a preparation period. This proposal would eliminate the preparation period, effectively increasing the number of daily periods each teacher spends instructing students from five to six. Having teachers spend six periods per day in the classroom would enable the Department of Education (DOE) to sharply reduce headcount by decreasing the number of "coverage teachers" assigned to cover classes for colleagues during their prep periods. In exchange for a heavier workload, the city could return 30 percent of the gross savings to the teachers through a pay increase.

The department spent $4.9 billion in 2001 to compensate classroom instructors. Because nearly one-fifth of these teaching positions were reimbursed through federal and state categorical grants, the estimated net cost to DOE was $4 billion. IBO estimates that increasing teacher workload by one period per day would eliminate the need for 10,300 positions (excluding reimbursable programs) and generate $764 million in gross savings, less $229 million that would fund additional teacher compensation.

PROPONENTS MIGHT ARGUE that it is reasonable to expect the city's public school teachers to prepare lesson plans and grade papers on their own time since teachers have shorter workdays than other municipal employees and shorter workdays than teachers in some surrounding districts. They might emphasize that the burden of a having a heavy teaching load is mitigated by the benefit of having 12 weeks paid vacation per year. Proponents also could point out that the proposal would finance annual raises of around $3,500 per teacher.

OPPONENTS MIGHT ARGUE that increasing teacher workloads would weaken the department's position in the labor market for teachers, making it more difficult to attract and retain qualified pedagogues. DOE already faces a major challenge in complying with state and federal mandates to upgrade staff quality. Roughly one-seventh of all city public school teachers lack certification, including 3,000 teachers hired this year. Effective September 2003, state regulations prohibit the hiring of uncertified teachers. A new federal mandate requires that school districts employ "highly qualified" teachers in all classes supported by Title I funding. Opponents also might emphasize that the current workday is 20-minutes longer than under the prior teachers' contract, that teaching five periods per day is arduous, and that many teachers already spend extra hours preparing lesson plans and grading papers outside the official workday. Finally, opponents might cite the potential for a heavier teaching load to cause burnout.

# OPTION:
# Eliminate Paid Sabbaticals for Public School Teachers and Supervisors

Savings:
$88 million annually

This proposal involves reaching agreements with the United Federation of Teachers (UFT) and the Council of Supervisors and Administrators (CSA) to eliminate paid sabbaticals for pedagogical staff. Teachers currently are entitled to a one-year sabbatical for study or "restoration of health" after every 14 years of service. Teachers with between 7 and 14 years of service may apply for a six-month sabbatical for restoration of health. Teachers on one-year sabbaticals receive 70 percent of their regular pay plus their regular benefits. Teachers on six-month sabbaticals receive 60 percent of their pay plus benefits. Experienced principals, assistant principals, and supervisors also qualify for paid sabbaticals.

The Department of Education (DOE) spent $86 million in 2001 to provide paid sabbaticals to about 1,600 teachers and another $12 million on sabbaticals for principals, assistant principals, and supervisors. Because nearly one-fifth of sabbatical expenditures were reimbursed through federal and state categorical grants, the net cost to DOE was $79 million. IBO's $88 million estimate reflects higher savings due to recent increases in teacher compensation.

PROPONENTS MIGHT ARGUE that the school system should deploy more experienced teachers in the classroom and therefore cannot afford to have veteran teachers take sabbatical leaves. They also emphasize that teachers receive 12 weeks paid vacation per year, which should provide sufficient opportunity for staff to upgrade their skills and restore their health. Proponents also might question the degree to which coursework during sabbaticals actually enhances instructional skills, since teachers have wide latitude in designing their course of study.

OPPONENTS MIGHT ARGUE that eliminating sabbaticals would weaken the Department of Education's position in the labor market for teachers and principals, making it more difficult to attract and retain qualified pedagogues. DOE already faces a major challenge in complying with state and federal mandates to upgrade staff quality. Roughly one-seventh of all DOE teachers lack certification, including 3,000 teachers hired this year. Effective September 2003, state regulations prohibit the hiring of uncertified teachers. A new federal mandate requires school districts to employ "highly qualified" teachers in all classes supported by Title I funding. Opponents also might emphasize that sabbaticals can help teachers improve their skills and acquire deeper understanding of their subject areas, and serve as a preventative measure against burnout.

# OPTION:
# Reduce Police Overtime by Eliminating Operation Condor

Savings:
$40 million annually

Between 1997 and 2002, annual overtime spending for police officers tripled, from $110 million to $332 million (excluding World Trade Center-related overtime). One of the elements in the growth of police overtime has been a special enforcement program known as Operation Condor. Condor began in fiscal year 2000 as an anti-narcotics initiative, but now also targets assaults on taxi drivers as well as "quality-of-life" offenses. Expenditures for Operation Condor grew from $37 million in 2000 to $91 million in 2001, and then declined to $62 million in 2002. The NYPD's overtime budget for the current fiscal year and through 2006 includes $40 million for Operation Condor, and a new initiative, Operation Impact.

Instead of using officers on overtime shifts to staff Condor, the NYPD could rely on the roughly 6,000 uniformed personnel already on duty citywide at any given time to adequately cover the city's public safety needs. If necessary, the police commissioner could periodically redeploy uniformed personnel from lower crime precincts or from nonessential administrative duties when the need arises to target specific criminal activities or quality-of-life issues.

Eliminating Operation Condor would save $40 million per year.

PROPONENTS MIGHT ARGUE that a significant portion of the growth in police overtime spending in recent years has been for discretionary initiatives like Operation Condor, and that the city could rely on uniformed personnel working "straight time" to achieve the same goals. They might argue that the shrinking police force compels the NYPD to conserve their resources to meet core public safety duties.

OPPONENTS MIGHT ARGUE that the additional number of police personnel on the street is a result of utilizing overtime in recent years and has been a critical factor in the city's continued success in battling crime. They also might argue that a decision by the NYPD to staff special enforcement initiatives such as Operation Condor with officers on overtime allows the agency to maintain critical baseline police staffing elsewhere throughout the city. Finally, opponents could argue that the planned reduction in the size of the police force in the coming years will make it very difficult to meet all the city's public safety needs without using significant amounts of overtime.

# OPTION:
# Use Fewer Police Officers on Overtime to Staff Parades and Other Events

Savings:
$7 million annually

Between 1997 and 2002, annual overtime spending for police officers tripled, from $110 million to $332 million (excluding World Trade Center-related overtime). The marked increase in so-called "events" overtime—which rose from $36 million in 1998 to $128 million in 2002—has been one contributing factor.

The NYPD categorizes events into “planned” and “unplanned.” Planned events include large annual functions such as the St. Patrick's Day parade, Thanksgiving Day parade, and New Year's Eve celebration in Times Square, as well as numerous other recurring and one-time festivals, celebrations, street fairs, and the like. Unplanned events include street protests or demonstrations, extra security for events such as last year's World Economic Forum, weather emergencies, special parades (for World Series championships for instance), and similar activities.

If all smaller planned events (less than $100,000 in overtime spending—equivalent to about 300 overtime tours), and the first 300 tours of major planned events were staffed by redeploying officers on their regular tours, the city could expect to save about $7 million annually. This would involve using no more than 5 percent of the roughly 6,000 officers on duty at any given time.

PROPONENTS MIGHT ARGUE that the need to reduce police department spending will require more flexibility in the use of officers on “straight time”, in order to cut back on overtime spending. They could argue that the use of officers on overtime should be limited to essential needs. They believe there is adequate daily coverage in precincts and other duty tours each day to allow some selective redeployments to staff planned events.

OPPONENTS MIGHT ARGUE that a decision by the NYPD to staff events with officers on overtime allows the agency to maintain critical baseline police staffing elsewhere throughout the city. They fear that a reduction in daily precinct operational strength put basic protection of public safety at risk. Opponents also might argue that periodic redeployments will be increasingly difficult to implement given the planned reduction in the overall size of the police force.

# OPTION:
# Increase the Number of Tours Worked by Police Officers by Eliminating 20 Minutes of Paid "Wash Up" Time

Savings:
$70 million annually

Police officers are currently scheduled to work a total of 242 tours each year before subtracting out vacation, personal leave, and other excused absences. Each tour worked is 8 hours and 35 minutes in length, with the last 35 minutes reserved for engaging in debriefing activities at precincts as well as for washing up and changing clothes before heading home.

Many observers have argued that since the 35 minutes allotted for police officers after coming off patrol is more than required for debriefings and other agency business, the length of each tour should be reduced to 8 hours and 15 minutes.

Due to a state law requiring police officers to work a minimum number of hours each year, shortening tours by 20 minutes would allow the NYPD to increase by 10 the number of tours for which officers must report in a 12-month period. This would allow the NYPD to maintain the same daily police coverage with about 1,000 fewer officers, generating annual savings of roughly $70 million per year.

PROPONENTS MIGHT ARGUE that the extra 35 minutes of wash-up time is more than is needed. They note that, although the number of tours would increase, the number of hours worked by a police officer each year would not change.

OPPONENTS MIGHT ARGUE that the time spent debriefing the next shift of officers is crucial to effective policing. The also might argue that officers have a legitimate need for extra time to put on and remove their uniforms and equipment. Finally, they worry that requiring police officers to work more shifts each year would exacerbate difficulties in recruiting new hires.

# OPTION:
# Reduce Police Staffing by Using One-Person Patrol Cars

Savings:
$5 million in 2004, $50 million in 2005, $128 million in 2006, and $188 million in 2007

This proposal envisions a phase in of one-person patrol cars in lower crime precincts. Over the next four years, the New York Police Department (NYPD) is expected to lose about 2,200-2,400 annually of its 37,000 police officers through attrition. Under this option, an average of 1,250 police officers of those leaving NYPD each year would not be replaced; instead, remaining officers would be redeployed in one-person patrol units. Since the department is fielding approximately 6,000 posts on the day shift, and three times that many across each full day, ample opportunity would exist to choose specific shifts and locations for this program. Over four years, 5,000 police officers would participate in the program, or 15 percent of the entire police officer headcount by 2007 under this scenario. Police officers could ask for additional assistance in responding to any call for service, similar to their current discretion while on patrol. In addition, police officers participating in one-person patrol would be eligible to receive a substantial bonus per day for every shift worked. This would both create a financial incentive in general to participate in the program and provide some additional incentive to reduce the use of unlimited sick leave.

For the purposes of this analysis, we assume that the police department earmarks 30 percent of the savings for bonuses for police officers who drive the solo patrols. Other formulations, resulting in larger or smaller savings to the city are also possible. In any case, the amount of the bonus would be the subject of collective bargaining between the police officers' union and city labor relations negotiators.

PROPONENTS MIGHT ARGUE that this would provide benefits to both the city and the police. While the city saves money, and reduces its police headcount, it does so without reducing the number of patrol cars in the field. Moreover, most of the success of the police in recent years was due to strategy, management, and mobilization where the problems were greatest, rather than raw numbers of police on patrol. Proponents also might cite past police union complaints about low pay relative to some suburban police departments, and explain that this would be an opportunity to close that gap while doubling police productivity in return, and the opportunity to increase foot patrols on the streets and subways. Many departments across the country function with one-officer patrol cars, and as crime rates have declined significantly in New York, the arguments that New York is always different than the rest of the country have lost some strength.

OPPONENTS MIGHT ARGUE that the success of NYPD from the mid-1990s to date means that the existing approaches work and should be left as is. They question whether police officer safety is being sacrificed for the demands of the budget, and whether public safety will be compromised as well. They contend the public and the department are best served by two-person patrols, and if the costs are higher, that is the price of an excellent police department serving the nation's largest city.

# OPTION:
# Reduce Fire Department Personnel by 1,600 through Attrition and Flexible Staffing

Savings:
$7 million in 2004, $25 million in 2005,
$44 million in 2006, and $65 million in 2007

New York City and the New York Fire Department (NYFD) lost some of its most experienced and highly trained firefighters on September 11, 2001. This skill and knowledge cannot be simply replaced by hiring more recruits. It comes, in part, from knowledge gained through years on the job.

While the fire department has struggled to maintain its complement of firefighters in the current fiscal year, this proposal allows for a gradual reduction in staffing: a total of 1,600 over the next four years through attrition. In most years NYFD loses about 500 firefighters, and under this proposal, 400 of these 500 would not be replaced. Instead, two strategies could be considered, neither of which would entail the permanent closing of firehouses. One strategy would modify the constant staffing provision of the existing contract to allow for flexible staffing of firehouses. The number of fire emergencies varies by location and especially by time of day, with fewer fires occurring in the hours when most people are sleeping. Under flexible staffing, where resources would be pooled with other nearby facilities, some firehouses could close for these less busy shifts. Firefighters would have to agree to a different shift pattern than has been standard, where the long 15-hour shift begins at 6pm and continues until the next morning. Instead, the shorter shift would begin at midnight and end at 9am. This short shift would be the place to institute significant changes to staffing at firehouses, when emergencies are least common and resources may exceed requirements.

Staff attrition could be absorbed through the substitution of new equipment that requires smaller crew size. Some cities have implemented the use of quints, fire trucks that are multipurpose and typically lead to reductions in staffing without apparent harm to firefighting ability. Crew size for quints varies but reductions in staffing seem possible under scenarios where they replace engine and ladder functions.

PROPONENTS MIGHT ARGUE that it makes little sense, other than as a contractual protection, to staff all firehouses in the city around the clock with exactly the same crew size. The reduced level of fire emergencies at night presents an opportunity to use staffing more sparingly and efficiently. Moreover, the experience of other cities with quints suggests that they work well in at least some urban settings and could be implemented here on a phased basis in some neighborhoods on all shifts. Proponents of change might also contend that if such solutions are implemented, a major portion of the savings could be shared with the firefighters through labor negotiations. IBO's estimates assume that the fire department earmarks 30 percent of the savings for enhanced salaries or perhaps bonuses linked directly to the timing and location of specific initiatives.

OPPONENTS MIGHT ARGUE that the fire department should not modify the existing around-the-clock roster staffing of firehouses, as closing down some shifts will only increase response time if an emergency does occur. They might also oppose the use of quints because their use is unproven in New York City and the NYFD is already well trained for the existing equipment. Use of quints would present new challenges to the department's training that are viewed as unwelcome, and might provide less fire protection than the current combination of engine and ladder companies.

# OPTION:
# Merge the Department of Employment and the Department of Business Services

Savings:
$2.2 million annually

This option proposes merging the Department of Employment (DOE) with the Department of Business Services (DBS) to create a new city agency that would be responsive to the needs of both individual job seekers and business customers. DOE's mandate is to implement workforce development programs that provide effective employment and training services for New York City's unemployed and underemployed workforce. To fulfill its mandate, DOE is increasingly reaching out to local city businesses to offer assistance with their staffing and human resource needs. Similarly, DBS conducts outreach to support the formation and growth of small businesses in New York City.

Contractual services comprise a significant share (two-thirds to three-quarters) of each agency's budget. By combining both agencies, administrative costs could be reduced by a minimum of $2.2 million due to the elimination of duplicative staff functions, particularly in the contracting and legal areas. Further, this consolidation would allow shifting some of DBS's personal service costs, which are largely city-funded, to DOE's expense budget, which is primarily federally funded.

Given that the Office of Employment Services within the Human Resources Administration plays a job-training and placement role for the city's public assistance recipients and also operates with a considerable amount of federal funding, it may be possible to include this employment office in the merger as well.

PROPONENTS MIGHT ARGUE that merging DOE with DBS would underscore the importance of linking the city's workforce development system to the business community. Each is dependent on the other; city businesses need skilled workers and the city's workforce needs access to stable, better paying jobs with opportunities for career advancement.

OPPONENTS MIGHT ARGUE that the interests of job seekers might be lost in an office focused on the needs of small business. Others would argue that there is a risk that DBS would be diverted from its important economic development mission. Some critics might also observe that previous efforts to merge agencies have shown that it can be extremely difficult to achieve the projected administrative savings.

# OPTION:
# Swap Local Medicaid Burden for a Portion of Local Sales Tax

Savings:
$2 billion annually

Only about one-quarter of the states require local sharing of the state's Medicaid obligations. New York is one of these states and the required local share here is by far the largest in the country. Under this option, the state would absorb the local Medicaid costs from all counties (the city is treated like a single county for Medicaid purposes) across the state. To help the state fund its much larger obligations, a portion of the county share of the local sales tax would be shifted to the state treasury. (Legislation to shift a portion of the city's sales tax would have to be carefully drawn to avoid interfering with the Municipal Assistance Corporation bond covenants.) Thus, the cost of providing medical assistance to low-income residents would be spread across the entire state, rather than concentrated in counties with disproportionate numbers of poor people.

Shifting the burden for all locally financed Medicaid to the state government would add an estimated $5.7 billion to state expenditures in 2004—a new burden that would grow to over $6 billion by 2007. Shifting half of the city's sales tax revenues to the state and 1 percentage point of the county sales tax rates elsewhere in the state, would yield the state government $3.8 billion in new revenues in 2004 and over $4 billion by 2007. The net increase in state expenditures would be $1.9 billion in 2004 and more than $2 billion by 2007. The swap would save the city over $2 billion per year. Outside the city some counties also would benefit immediately, but in the aggregate, counties elsewhere in the state would be net losers, meaning that they would give up more in sales tax revenues than they would save by shifting Medicaid costs to the state government. The other counties would have a net loss of nearly $300 million in 2004, although this would narrow to $150 million by 2007.

PROPONENTS MIGHT ARGUE that the nonfederal portion of Medicaid is most properly borne equally across the state. Forcing localities to bear a substantial portion of what in most other states is a state-level burden results in higher local taxes in localities with concentrations of Medicaid-eligible residents, which can result in punishing competitive disadvantages for those counties. Proponents might further argue that the state's current system diminishes accountability for managing the program. The localities must support and administer a program but have virtually no role in setting its policies and priorities. Conversely, because a significant portion of costs resulting from decisions by policymakers in Albany are automatically shifted to the localities, there is less fiscal discipline on the decisionmakers. Shifting the full nonfederal cost to the state would result in more accountability at the state level. Finally, proponents might argue that all counties will likely turn out to eventually be net gainers under the option because the long-term growth rate of Medicaid costs is faster than the growth in sales tax revenues.

OPPONENTS MIGHT ARGUE that it is appropriate that a share of the Medicaid burden be borne by localities because the concentration of eligible residents in particular localities is due, at least in part, to local policies. Further, grabbing a piece of the counties' tax revenues could undermine their fiscal stability. The need to raid the counties could be reduced at the cost of adding to the increased state burden that will have to be funded using general state resources. Finally, opponents could argue that with the state government facing significant fiscal difficulties, it may not be in a position to take on any increased Medicaid burden, even if the size of the new burden is reduced by using some of the localities' sales tax revenues.

# OPTION:
# State Reimbursement for Inmates in City Jails Awaiting Trial Over One Year

Savings:
$94 million annually

At any given time about two-thirds of the inmates in Department of Correction (DOC) custody are pre-trial detainees. A major determinant of the agency's workload and spending is therefore the swiftness with which the state court system processes criminal cases. Throughout the adjudication process, detention costs are currently borne by the city regardless of the length of time it takes criminal cases to reach disposition. The majority of long-term DOC detainees are eventually convicted and sentenced to multi-year terms in the state correctional system, with their period of incarceration upstate (at the state's expense) shortened by that period of time already spent in local jail custody at the city's expense. Therefore, the quicker the adjudication of court cases involving defendants detained in city jails and ultimately destined for state prison, the smaller the city's share of total incarceration costs.

Existing state court standards call for no felony cases in New York State to be pending in Supreme Court for more than six months at the time of disposition, with disciplinary action possible for failure to comply with timeliness standards. In 2000, however, (the last year for which statistics are available), over 50 percent of the 10,920 defendants from the city convicted and sent into the state prison system had already spent six or more months in city jail custody as pre-trial detainees, with over 2,000 having been held locally for one year or more.

If the state reimbursed the city only for local jail time in excess of one year at the city's cost of $252 per day, the city would realize annual revenue of approximately $94 million. It should be stressed that the reimbursement being proposed in this option is separate from that the city has been seeking for several years for other categories of already convicted state inmates temporarily held in city jails for a number of reasons (e.g., parole violations and newly sentenced "state readies"). The reimbursement under this option is associated with pre-trial detention time served by inmates that are later convicted and sentenced to multiyear terms in the prison system.

PROPONENTS MIGHT ARGUE that the city is unfairly bearing a cost that is properly the state's, and that the city has little ability to effect the speedy resolution of cases in the state court system. They add that imposing what would amount to a penalty on the state for failure to meet state court guidelines might push the state to improve the speed with which cases are processed. In addition, the fact that pre-trial detention time spent in city jails is ultimately subtracted from upstate prison sentences means that the state effectively saves money at the city's expense.

OPPONENTS MIGHT ARGUE that many of the causes of delay in processing criminal cases are due to factors out of the state court's direct control, including the speed with which local district attorneys bring cases and the availability of defense attorneys, among other things.

# Appendix

**Comparing Options for Increasing City Residents' Personal Income Tax**

*Impacts in Tax Year 2004*

1. PIT under current law

| Income Groups | Current PIT Liability | % of Total | Number of Filers | % of Total | PIT per Filer |
|---|---|---|---|---|---|
| Under $5,001 | $0.274 | 0.00% | 353,364 | 10.49% | $1 |
| $5,001 to $10,000 | $2.623 | 0.05% | 366,252 | 10.87% | $7 |
| $10,001 to $20,000 | $55.699 | 1.01% | 624,181 | 18.53% | $89 |
| $20,001 to $30,000 | $187.478 | 3.41% | 501,832 | 14.90% | $374 |
| $30,001 to $40,000 | $259.784 | 4.73% | 364,151 | 10.81% | $713 |
| $40,001 to $50,000 | $299.251 | 5.45% | 282,841 | 8.40% | $1,058 |
| $50,001 to $60,000 | $268.414 | 4.89% | 190,975 | 5.67% | $1,405 |
| $60,001 to $75,000 | $363.335 | 6.62% | 202,163 | 6.00% | $1,797 |
| $75,000 to $100,000 | $447.241 | 8.14% | 183,899 | 5.46% | $2,432 |
| $100,000 to $125,000 | $296.269 | 5.40% | 90,764 | 2.69% | $3,264 |
| $125,001 to $250,000 | $694.425 | 12.65% | 136,007 | 4.04% | $5,106 |
| $250,000 to $500,000 | $467.782 | 8.52% | 42,133 | 1.25% | $11,102 |
| $500,000 to $1,000,000 | $398.860 | 7.26% | 16,997 | 0.50% | $23,466 |
| Over $1,000,000 | $1,750.019 | 31.87% | 13,297 | 0.39% | $131,605 |
| Sum | $5,491.454 | 100.00% | 3,368,856 | 100.00% | |

2. PIT under three options

| | Temporary Surcharge | | Increase Above $250K of 1 Percentage Point | | Progressive Restructuring | |
|---|---|---|---|---|---|---|
| Income Groups | Change in PIT Liability | % of Total | Change in PIT Liability | % of Total | Change in PIT Liability | % of Total |
| Under $5,001 | $0.000 | 0.00% | $0.000 | 0.00% | $0.000 | 0.00% |
| $5,001 to $10,000 | $0.607 | 0.11% | $0.000 | 0.00% | ($0.547) | -0.24% |
| $10,001 to $20,000 | $7.918 | 1.42% | $0.000 | 0.00% | ($7.622) | -3.32% |
| $20,001 to $30,000 | $22.078 | 3.96% | $0.000 | 0.00% | ($20.670) | -9.01% |
| $30,001 to $40,000 | $28.121 | 5.05% | $0.000 | 0.00% | ($23.571) | -10.27% |
| $40,001 to $50,000 | $31.424 | 5.64% | $0.000 | 0.00% | ($21.279) | -9.28% |
| $50,001 to $60,000 | $27.718 | 4.97% | $0.000 | 0.00% | ($15.644) | -6.82% |
| $60,001 to $75,000 | $37.123 | 6.66% | $0.000 | 0.00% | ($16.689) | -7.27% |
| $75,000 to $100,000 | $45.488 | 8.16% | $0.000 | 0.00% | ($13.514) | -5.89% |
| $100,000 to $125,000 | $29.840 | 5.35% | $0.000 | 0.00% | ($4.374) | -1.91% |
| $125,001 to $250,000 | $68.798 | 12.34% | $0.005 | 0.00% | $13.947 | 6.08% |
| $250,000 to $500,000 | $45.917 | 8.24% | $36.667 | 5.89% | $35.060 | 15.28% |
| $500,000 to $1,000,000 | $39.220 | 7.04% | $79.056 | 12.71% | $46.257 | 20.16% |
| Over $1,000,000 | $173.147 | 31.06% | $506.424 | 81.40% | $258.060 | 112.49% |
| Sum | $557.401 | 100.00% | $622.151 | 100.00% | $229.413 | 100.00% |

SOURCES: IBO, based on 2000 PIT Sample File, Office of Tax Policy Analysis, New York State Department of Taxation and Finance

NOTES: Tax Liability defined in terms of millions, except PIT per filer. Income groups defined in terms of real ($ 2002) New York adjusted gross income.

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