Revenue Options

Establish a Pied-A-Terre Tax

Revenue: $232 million

Although difficult to quantify, in some city neighborhoods the share of housing units that are owned by nonresidents and used as second homes is believed to have grown in the past decade, particularly for high-value properties. Borrowing from models in other cities, advocates have proposed an additional property tax on second homes as a means of raising revenue from high-income households and reducing pressure on the cost of land. A bill recently introduced in the State Legislature (S44-B) would establish an "additional property tax on certain non-primary residences."

The pied-a-terre tax would be assessed on one-, two-, and three-family residences (Class 1 properties) with market values of $5 million or more, and condominium and cooperative apartments with assessed value for property tax purposes of $300,000 or more. Assessed values of condos and coops are far lower than their market values. S44-B allows for apartment owners to apply for and receive an exemption from the tax if the state certifies that the property has been appraised at less than $5 million within the last three years. The proposal also exempts properties that are the primary residence of at least one owner or of a parent or child of at least one owner, and properties rented on a full-time basis to tenants for whom the property is their primary residence.

Under S44-B, the city's finance commissioner would be responsible for defining brackets for the tax. For coops and condos the tax rates would range from 10.0 percent to 13.5 percent of assessed value in excess of $300,000. For Class 1 homes with market value in excess of $5 million, the rates would range from 0.5 percent to 4.0 percent of market value. IBO's estimate of the additional revenue that would be raised by a pied-a-terre tax—$232 million annually—is based on the progressive schedule of tax rates specified in a prior version of the bill for Class 1 homes, and a similar rate schedule developed by IBO for apartments. Instituting such a tax in New York City would require state legislation. Department of Finance data that can be used to indicate whether a property is used as a primary residence and this year's assessment roll were used to determine which residences would likely be subject to the tax.

Proponents might argue that an additional tax on expensive second homes, which are typically owned by high-income households and used infrequently, would raise revenue from individuals with the ability to pay. Moreover, a pied-a-terre tax would raise revenue from households that are not subject to the city's income tax, unlike households that have chosen New York City as their primary residence. They could also point out that some of the new revenue would be paid by owners of apartments benefiting from 421-a property tax exemptions.

Opponents might argue that pied-a-terre owners who do not live full-time in New York City would be unfairly taxed under this option. These owners still pay the property taxes associated with their properties, even though they typically rely less heavily on city services than full-time residents. In addition, a pied-a-terre tax would decrease demand for high-end residences, further weakening a real estate market that has already been hit hard by the coronavirus pandemic. Finally, a pied-a-terre tax would also reduce construction industry activity and employment in the city.

Revised January 2021

Prepared by Yaw Owusu-Ansah

Revenue Options

Increase Certain Vehicle Fines for Multiple Violations in the Same Year

Revenue: $119 million in 2022

The New York State Legislature has authorized the installation of cameras around the city to provide for monitoring and enforcement of certain vehicular violations. Speed cameras operate in 750 school zones around the city from 6 a.m. to 10 p.m. every weekday. Based on images captured by school zone speed cameras, the city issues citations to owners of vehicles that are found to exceed the posted speed limit by more than 10 miles per hour. The city also operates hundreds of cameras posted at critical intersections, monitoring vehicles that illegally pass through red lights.

Currently, the fine for either a speed or red light camera violation is $50. While legislation passed in early 2020 requires vehicle-owners who get 5 camera-issued red light tickets or 15 camera-issued speeding tickets in a 12-month period to take a traffic safety course or risk losing their vehicles, the legislation did not increase the fines for multiple violations. A number of other violations issued by the city include incremental increases for multiple violations in the same 12-month period. For example, the owner of a vehicle that illegally travels in a posted bus lane is currently fined $50. A second offense within the same 12-month period results in a fine of $100 and the fines increase to $150 for a third offense, $200 for a fourth offense, and $250 for each additional offense after that.

In calendar year 2019 the city issued over 2.3 million summonses to 1.3 million vehicles that violated the posted speed limits in school zones. Over 490,000 of these vehicles (39.0 percent) were issued multiple school speed zone violations during the year, while over 7,400 were issued 10 or more violations. The city also issued nearly 430,000 summonses to over 368,000 vehicles for red light camera violations during 2019. Of this total just over 47,000 vehicles (12.8 percent) were issued multiple summonses for red-light violations, with 845 vehicles issued more than five violations in the year.

If in 2019 the city had an incremental fine structure for repeated school zone speeding and red light camera violations that mirrored the existing incremental fines for other violations, the city would have collected approximately $119 million of additional revenue. Fines for school zone speed camera violations would have increased by 84 percent while the red light camera fines would have increased by 16 percent. State legislation would be required to implement this change.

The primary goal of establishing an incremental fine structure would be to further discourage reckless driving. Some studies of the relation between recidivism and increased traffic fines have found that the effects of fine increases are very mixed, however. The most frequent offenders do not seem to be influenced by increases in fines, while more occasional offenders do seem to change their behavior. Our estimate of revenues under an incremental fine structure assumes no behavioral change.

Proponents might argue that school speed zone and red light camera violations involve moving vehicles and pose a serious threat to life and property. In too many cases, innocent lives have been lost due to someone driving recklessly. Increasing the fine structure for multiple violations could help to further deter reckless driving and thus increase the safety of the city's streets.

Opponents might argue that because red light and school speed zone camera violations are issued to the owner of a vehicle, it is possible that the actual driver of the vehicle may not be paying the increase in fines for repeated violations. If that is the case, an increase in fines would raise revenue but would do little to reduce recidivism. Moreover, some research suggests that there is little relation between traffic fines and behavior for the most frequent offenders.

Prepared by Jonathan Rosenberg

Revenue Options

Open Outdoor Municipal Lots for Overnight Parking

Revenue: $2 million annually

The city's Department of Transportation (DOT) owns and operates 29 parking fields across New York City. These facilities range in size from a few dozen spots on a small lot to large facilities with hundreds of spaces available. While some lots are open 24 hours per day, most are closed at night, usually from 10pm until 7am. Parking outside of posted hours can result in a summons. DOT reports that they close lots at night as a lack of security leaves vehicles at risk, although many parking sites are unattended metered parking during the day. By opening outdoor municipal parking for at-your-own-risk overnight parking and charging a fee, the city could increase revenue while potentially easing parking shortages.

Payment options at these facilities include an hourly rate for daytime hours or the purchase of a monthly or quarterly permit, with parking available on a first come, first serve basis. Because the market for parking varies greatly across the city, monthly rates on outdoor municipal parking permits range from $30 on Staten Island to $225 in Bay Ridge. Hourly rates vary less, ranging from $1.25 to $2.50. If the lots opened overnight, the city might opt to continue free parking on Sunday and may charge a lower rate than daytime parking. IBO additionally assumed that each lot would be half-full overnight to calculate the potential revenue for this option. In total, $2.1 million of new revenue could be generated for the city from these outdoor municipal lots. Much of this revenue comes from large parking fields in Brooklyn and Queens neighborhoods that have seen a big influx of recent development and related demand for parking.

Proponents might argue that existing municipal parking facilities are currently underused and can both improve availability of parking and generate revenue for the city. No significant investments would be required beyond updating the meters to dispense an overnight rate. With crime near all-time lows, there is little reason to think the risk of parking overnight in a municipal field would be different from the risk of parking overnight on a nearby street, especially if security lighting is installed. To the extent the availability of additional parking spaces reduces the number of drivers circling looking for a space, there would also be a reduction in vehicle emissions.

Opponents might argue that the city may lose revenue if fewer parking tickets are issued for vehicles parked illegally overnight. They might also argue that without the public visibility that comes with car and foot traffic on streets, cars parked in lots may be an attractive target for crime. Additionally, increasing the number of available parking spaces may have the unintended effect of encouraging more car use, potentially adding to street congestion and emissions.

Prepared by Daniel Huber

Repeal the Commercial Revitalization and Commercial Expansion Programs

Revenue: Minimal in 2022, growing to $22 million in 2031 when savings are fully phased in

The New York State Legislature enacted the Commercial Revitalization Program (CRP) in 1995 to increase occupancy of older office and retail spaces in Lower Manhattan by offering incentives to spur improvements in buildings constructed before 1975. The Legislature enacted the Commercial Expansion Program (CEP) in 2000 using the same approach to help promote the development of commercial, manufacturing, and industrial areas in the outer boroughs. Building owners who participate in either of these programs are required to spend a minimum amount on renovations and other improvement of their property. To offset property tax increases resulting from the improvements, owners receive tax abatements, for a period of 3 years to 10 years, depending on the type of space improved. Tenants renting these renovated spaces can also receive a reduction in their commercial rent tax (CRT) liability. In 2005, the area eligible for the CRT benefit was expanded to cover more of Lower Manhattan.

The Department of Finance estimates that these programs cost the city $22.2 million of forgone tax revenue in 2020—$14.2 million from property tax abatements and $8.0 million from CRT reductions. If the State Legislature repealed the CRP and CEP programs and no new benefits are granted after fiscal year 2021, the cost of the programs would phase out gradually over the next 10 years as previously granted benefits expire. Savings will grow every year and reach $22.2 million in 2031.

Proponents might argue that these programs were enacted when the city needed them, but are not necessary now. The CRP eligibility zone encompasses the Financial District and other Lower Manhattan areas that since the 1990s have become desirable mixed-use neighborhoods, providing owners of older buildings plenty of reasons to upgrade their buildings even without offering city tax breaks. IBO found that property owners who upgrade their buildings generally spend more than the minimum required under CRP and CEP, suggesting that the tax benefit offered only limited inducement for investment, and it concluded that the programs have had little influence on vacancy and employment rates compared with rates in areas not eligible for the programs.

Opponents might argue that the CRP and CEP help property owners defray the cost of renovating their properties to compete with the new commercial properties built in the eligible areas the last several years. They may also argue that given that New York City continues to work to attract and maintain manufacturing and industrial jobs, the CEP helps incentivize such firms to sign long-term leases and encourage these companies to undertake the necessary upgrades of their facilities.

Prepared by Yaw Owusu-Ansah

Resume Water Board Rental Payments

Revenue: $107 million in 2021, $244 million annually in the following years

The New York City Water Board establishes water rates and uses the revenue to operate and maintain the city's water and sewer system. Historically, the Water Board has paid the city a rental payment for use of the city-owned water system. When the city collects the payment from the nominally independent Water Board, it is deposited into the city's general fund. The lower the Water Board's rental payment to the city, the less the board must raise through water and sewer bills. Conversely, the higher the rental payment, the more that must be raised through water and sewer bills. In 2016, the de Blasio Administration reduced the rental payment to $138 million, and then eliminated it entirely starting in 2017. Prior to its elimination, the payment was substantial, totaling over $200 million in some years.

The size of the rental payment the city can collect is capped at 15 percent of the annual debt service on New York City Water Authority bonds, currently $244 million. The Water Board is required to hold the total 15 percent in reserve each year, but only makes the payment for that year—which can be any amount up to the cap—if requested by the city. Accordingly, when the Covid-19 crisis began and projected tax revenues decreased, the de Blasio Administration tapped this revenue source, bringing the city $128 million of additional general fund revenue in 2020 and $137 million in 2021. So far, the city has not budgeted for rental payments beyond 2021, meaning there is room under the 15 percent cap to increase these payments by $107 million in 2021 and $244 million a year thereafter.

Ultimately, any increase in expenses to the Water Board will fall on ratepayers in the form of higher water rates. IBO previously calculated that a 20 percent reduction in the rental payment would reduce the annual rate increase by around 0.25 percent, so fully reinstating the rental payment would lead to an increase in water rates of around 1.25 percent. Given that the average water bill for a single-family home in New York City is currently about $1,100, this option would increase the average charge by about $14. The costs to ratepayers would be lower if the city chose to request less than the maximum rental payment allowed under the cap in future years.

Proponents might argue that city has historically collected rental payments from the Water Board, with the payments funded by property owners as part of their water bills. It is a ready source of additional revenue the city can access at the discretion of the Mayor and does not require any action or cooperation from others. An increase in water rates encourages the public to conserve water, which is good for the environment. In addition, the incremental increase in water bills for the average household is relatively small, yet the payments yield substantial revenue for the city.

Opponents might argue that requiring a rental payment on top of maintenance and operations funding for a critical city service is a revenue-enhancing sleight of hand and is simply a tax on water use. It is also unclear whether the rate hike would motivate any change in behavior, since water rates also include the costs of sewer maintenance costs, thereby diluting any price signal regarding water use. Increasing water costs is also regressive, since water bills make up a larger share of costs for lower income New Yorkers. Opponents could also note that large users of water, such as restaurants and hotels, are already hard hit by the pandemic and would shoulder the brunt of an across-the-board increase in water rates.

Prepared by Daniel Huber

Citywide Pay Freeze

Savings: Over $1 billion in 2021

The city typically negotiates scheduled wage increases with the unions representing municipal employees covering multiple years in order to provide some stability in the budgeting process. As a result, public-sector wages are slower to respond to a financial crisis or a subsequent recovery than those in the private sector. In some cases city employees have received previously negotiated salary increases even after recessions have reduced revenues and the city's ability to afford these increases. Beyond wage increases, many permanent civil servants are entitled to automatic "step" pay increases or bonuses based on their length of tenure in a position.

As of September 2020, the city has signed contracts with labor unions representing 80 percent of the city workforce in the current 2017-2021 contract round, including Mayoral decrees to authorize similar wage increases for managerial and non-union employees. Many of these raises have already been implemented, although some are pending. Uniformed unions awaiting binding arbitration represent two-thirds of the employees with contracts outstanding.

If the city were to eliminate anticipated wage increases for bargaining units without signed contracts, the city would accrue budgetary savings of $518.0 million in 2021 ($146.3 million of current-year costs and $371.8 million of retroactive contract costs). Additionally, if the city were able to successfully argue that it did not have the ability to pay for salary increases for the unsettled contracts currently in arbitration, it would accrue an additional $941.0 million in savings ($307.8 million of current-year costs and $633.2 million of retroactive contract costs). These estimates do not include freezing step increases or longevity bonuses, which would result in greater savings.

There is some precedent for freezing pay in times of economic turmoil. In 2010, Mayor Bloomberg ended negotiations with the United Federation of Teachers on wage increases; the Bloomberg Administration framed their decision as a means of avoiding teacher layoffs during the Great Recession. With recovery from the recession underway, the de Blasio Administration restored these foregone wage increases. During the 1970s, already-negotiated wage increases were frozen by the New York State Financial Control Board under the 1975 Financial Emergency Act; now that the Financial Emergency Act has sunset, a similar wage freeze would require state legislation

Proponents might argue that that salaries, wages, and fringe benefits compose half of the city's annual expense budget. Halting salary increases is a release valve to avoid layoffs. In the event that the city recovers sufficiently, a future administration can choose to restore foregone increases. In an environment that necessitates dramatic measures to balance the city's finances, spreading impacts over the broadest swath of employees results in the least interruption of services for the public. This approach also promotes a sense of shared sacrifice when the city at large is struggling.

Opponents might argue that most of the city's workforce has already received wage increases. This proposal punishes some employees for decisions far beyond their control while preserving salaries of larger unions and those with preferential access to the negotiation table. Public labor unions agree to certain base concessions within the state's Taylor law (including a ban on strikes) in exchange for a fair contract process. Establishing a precedent that ignores contractual requirements and conventions when inconvenient harms mutual trust in the process and could have reverberations through future rounds of bargaining.

Prepared by Robert Callahan

Savings Options

Cut Managerial Pay on a Graduated Basis

Savings: $25 million in 2021

The city's managerial workforce is responsible for ensuring that work of city agencies is successfully implemented. These professionals command among the highest salaries in the public sector. Their salaries are more readily adjusted than those of employees subject to collective bargaining, however, because managers' salaries can be changed by the Mayor through executive action rather than through union negotiations.

As of September 2020, there were approximately 8,100 city employees serving in managerial positions, of whom nearly 7,000 earned more than $100,000 a year, a total of $1.1 billion annually. Sixty-two percent of managerial employees are competitive class civil servants, having been permanently appointed after a competitive examination and hiring process. Competitive class managers are typically responsible for directly managing the civil service workforce. In contrast, noncompetitively hired managers and those serving in positions exempt from civil service requirements are more likely to serve in high-level executive positions such as commissioners, agency legal counsel, or special advisors.

The salary reductions could be structured like a graduated income tax, with deeper reductions in earnings for managers whose salaries are higher. To take one example, salaries of managers earning less than $100,000 a year would not be affected, earnings from $100,000 to $150,000 would be reduced by 5 percent, earnings from $150,000 to $200,000 would be cut by 10 percent, and any earnings over $200,000 would be reduced by 20 percent. Under this example, a manager earning $220,000 a year would see their salary reduced to $208,500 [($50,000 x 0.95) + ($50,000 x 0.9) + ($20,000 x 0. 8)]. The average reduction in managerial pay would be about $2,500. A one-time graduated reduction in salary for the 7,000 current managerial employees earning over $100,000 would generate $25.2 million of savings for the city, $20.4 million in salaries and $4.8 million in associated fringe benefits. If these lower salaries become permanent, then the savings would recur in subsequent years.

Proponents might argue that managerial employees are often among the highest-paid city employees, meaning that a reduced salary is less likely to endanger their ability to afford necessities in lean times than might be the case for lower-paid employees. Salary reductions can also avoid the more destructive option of layoffs, which can lead to service reductions or even weaken the local economy, hindering the city's ability to recover. By temporarily reducing salaries that are more discretionary than those of unionized employees, the city can keep more of its workforce on payroll and be prepared to raise managerial earnings when the city's fiscal condition improves.

Opponents might argue that many city managers accept salaries that are lower than in the private sector in exchange for more generous and stable fringe benefits and the satisfaction of public service. Arbitrarily reducing their salaries to generate budget savings, in part because the savings are easier to obtain than through collective bargaining with municipal unions, risks reducing incentives for qualified applicants to make the switch to management or seek public employment altogether. In some cases, salary reductions would result in managers earning less than the employees they manage.

Prepared by Robert Callahan

Eliminate Supplemental Subsidy for School Bus Drivers

Savings: $35 million annually

Since 2014, the city has been paying a subsidy to school bus transportation firms through a grant program administered by the Department of Small Business Services. The grant provides funding to private school bus companies to hire and retain school bus workers from a seniority list, with salary, health, and retirement benefits comparable to what they had previously earned working for companies under contract with the Department of Education. The pre-2014 contract included so-called employee protection provisions (EPPs), which were first included in bus contracts following a strike by school bus employees in 1979. The provisions required contracted bus companies to give priority in hiring to workers who had become unemployed when their previous employers lost bus contracts; these employees would receive the same pay and benefits they had previously received. EPPs covered thousands of school bus drivers, attendants, dispatchers, and mechanics.

EPPs were eliminated in 2012 following a lawsuit in which the New York Court of Appeals determined that they violated competitive bidding laws. The Bloomberg Administration's decision to start contracting without including EPPs led to a month-long school bus strike in 2013, which was settled without restoring the protections for employees. Subsequently, with the support of the incoming de Blasio Administration, the City Council enacted Local Law 44 of 2014, creating the school bus grant program for the 2014-2015 school year. The grant program has been renewed annually through school year 2019-2020.

Under this option, if the the school bus grant program was not renewed for this year and subsequent school years, the city would save $35 million annually.

Proponents might argue that such a move is long overdue, as the city's Local Law 44 originally covered only the 2014-2015 school year. They could argue that the subsidy undermines the competitive bidding process, which is intended to award the contract to the firm capable of delivering the best service at the best price. Knowing the city will subsidize their labor costs reduces bidders' incentives to operate efficiently. They could also argue that school bus employee compensation should be settled between the employees and the bus companies and that having the city establish a floor for compensation in a single industry could distort the broader labor market.

Opponents might argue that such a move would eliminate an incentive that city bus contractors presently have to hire and retain experienced drivers and attendants, who they contend are safer than novice workers. They could also argue that the school bus program was meant to temporarily cover bus drivers while changes were made to state contracting rules to allow for EPP-requirement contracts, a move that never materialized in Albany. Finally, they could contend that bus drivers might once again strike for restoration of the grant, creating more havoc as the city schools are trying to recover from the disruptions caused by the pandemic.

Prepared by Conrad Pattillo

Savings Options

Eliminate Retiree Health Care Coverage for City Retirees Eligible for Coverage from Another Employer

Savings: $35 million to $70 million in 2022

In general, New York City employees who are eligible to receive a pension upon retirement are also entitled to receive retiree health care coverage from the city. Retirees who do not yet qualify for coverage under the federal Medicare program are provided the same health insurance options that are available to current city employees. The city continues to pay the employer portion of the health insurance premiums for these retirees until they qualify for Medicare. In 2020, the city spent approximately $284.1 million on health insurance premiums for non-Medicare eligible retirees.

While a majority of current New York City retirees are over 65 and therefore eligible for Medicare coverage, many city retirees have years to go before reaching the eligibility threshold. For most non-uniform city employees, pension eligibility is based on age. These employees are typically not eligible to retire, and thus collect benefits, until they reach 62 (although a certain segment of employees reach retirement age at 57). Unlike the non-uniform pension systems, qualifying for retirement in the city's uniform pension systems is based on years of city service. Most members of the city's Police and Fire Pension Systems can qualify for full retirement after just 20 years of city service; 22 years of service are required for individuals hired after July 1, 2009. As a result, a large number of current retirees (over 4,100) are under the age of 50. Many of these younger retirees will remain in the workforce, obtaining non-city jobs while collecting their city pensions.

In many instances, younger city retirees have the opportunity to qualify for health insurance through their current employer. Under this option, any city retiree who has the opportunity to receive health insurance through their current employer would be ineligible for health insurance paid for by the city.

While it is difficult to estimate the number of retirees who choose to be employed while collecting city pensions, if we assume that half of the 36,300 current New York City retirees under the age of 60 have other health insurance options available through their employers, the city would save $69.5 million in the current year.[1] If only 25 percent of these retirees had other health care coverage available, the city's savings would be $34.7 million.

Proponents might argue that the city's retirees not only receive a valuable pension benefit, but they also have the option of a no-upfront cost health insurance plan until they turn 65. This benefit is costly for the city to provide, especially when some retirees can begin collecting retirement health benefits as young as their early 40s. These younger retirees are still well within their prime working years and likely will find other employment opportunities that provide health insurance options. The city should not be liable for the health insurance costs of retirees who choose to find other income sources.

Opponents might argue that this policy would be difficult to monitor and enforce. Moreover, while many city retirees have jobs that offer options for health insurance, those options can be very costly. Opponents could also contend that health insurance coverage for city retirees is a benefit of working in the public sector. Many retirees made their decision to work in the public sector weighing both the income opportunities and the retirement benefits. Altering these benefits decades later is a callous treatment of these former public servants.

[1]We have excluded from this cohort any retiree under 60 designated as a disability-related retirement on the assumption that these retirees would be much less likely to find other full-time employment. There are currently 18,550 retirees under 60 whose retirements are designated as disability-related.

NEW December 2020

Prepared by Jonathan Rosenberg

Savings Options

Match NYC Ferry Fares to Express Bus Fares

Savings: $35 million annually

Since NYC Ferry launched in 2017, the fare for the service has been set at $2.75 per ride, on par with the cost of a subway fare. Estimates by the Citizens Budget Commission peg the average cost-per-ride to operate the NYC Ferry network at more than $12, with an estimated subsidy of $9.34 per trip—the second highest local ferry subsidy in the nation. The actual cost per ride and required subsidy varies with the volume of ridership and the seasonality of the business. With the planned expansion of the NYC Ferry to Coney Island and Staten Island, taxpayer subsidies for the service are projected to exceed upwards of $20 per trip for certain routes.

Under the city's current pricing strategy for NYC Ferry, operating expenses will continue to outstrip revenue for a transportation service that is primarily used by a small and more affluent subset of the population than other forms of public transit. This option proposes to reduce taxpayer subsidies needed for NYC Ferry by increasing the per-trip fare to $6.75, which is on par with the cost of a trip on Metropolitan Transportation Authority's express bus service. Assuming a 25 percent decrease in ridership in response to the proposed fare increase, this option would generate an estimated $35 million in savings annually, which could potentially grow if ridership continues to increase over time.

Proponents might argue that comparable ferry services in other parts of the country—with per-trip subsidy generally falling within the range of $5 or less—recoup far more of their expenses. The NYC Ferry service is a less crowded, premium mode of transportation similar to the city's express bus services and therefore ferry users should pay a similar fare as express bus riders. A 2019 study indicated that many ferry users have household incomes ranging from $75,000 to $100,000, suggesting that these riders can afford to pay a higher fare.

Opponents might argue that NYC Ferry is a vital piece of the city's ever-expanding transportation network, as it reaches locales that may be underserved by the city's buses and subways. More than doubling the fare could lead to a large loss of ridership if riders are particularly price sensitive, potentially leading to the need for an even higher per-trip subsidy to continue NYC Ferry operations.

Prepared by Conrad Pattillo

Savings Options

Raise Paratransit Fare to Maximum Level Allowed Under Federal Regulations

Savings: $15 million annually

The federal Americans with Disabilities Act of 1990 mandates that transit agencies provide "comparable" paratransit service to individuals who are unable to use regular public transportation. New York City's paratransit program—Access-a-Ride—is administered by NYC Transit, which is the part of the Metropolitan Transportation Authority (MTA) responsible for subway and bus service in the city. Under an agreement between the city and NYC Transit that expired this year, the city paid one-third of paratransit net operating expenses after subtracting out fare revenue, tax revenues dedicated to paratransit, and the program's administrative expenses. In addition, the year-to-year increase in the city subsidy was capped at 20 percent. Earlier this year, however, New York State enacted legislation at the urging of the MTA that increased the city's share of net operating expenses to 50 percent beginning July 1, 2020 (the beginning of fiscal year 2021 for the city, and the midpoint of fiscal year 2020 for the MTA). The MTA projects that the newly enacted funding formula will increase the city's contribution by roughly $100 million per year.

Regulations of the Federal Transit Administration (FTA) permit transit agencies to charge up to twice the base transit fare for paratransit trips. Under the proposed option, the MTA would double the paratransit fare for registered paratransit users and their guests—currently set at the $2.75 fare of subway and bus rides—to $5.50, with the additional revenue applied to the city's contribution.

Access-a-Ride contracts with private transportation firms to deliver paratransit services. This includes paratransit wheelchair-accessible vehicles as well as taxis and livery cars, some of which are additionally wheelchair-accessible. Roughly 80 percent of Access-a-Ride users, however, do not require a wheelchair. The average cost of providing both Access-A-Ride and conventional transit trips varies considerably depending on how administrative and capital costs, as well as depreciation, are treated in official reports. Nevertheless, by any measure it is far less expensive to provide a trip on conventional transit. For calendar year 2019, the contract costs of Access-A-Ride (costs excluding direct capital expenditures and program administration) were $81 per trip on conventional paratransit vehicles, and $34 per trip through car services and taxi companies. The overall average cost of all trips was $54. In contrast, for NYC Transit subways and buses, the average operating expense per ride in 2019 (excluding debt service and depreciation) was just under $4.

Access-a-Ride fare revenue in calendar year 2019 was $23.5 million. IBO estimates that doubling the fare would generate sufficient new revenue to allow a reduction of $15 million in the city's contribution to paratransit, after accounting for the state's recent shift of operating costs to the city. To the extent that NYC Transit and the MTA Bus Company are able to implement improvements that make it easier for disabled customers to use conventional transit, the potential cost savings to both the MTA and the city would be even greater.

Proponents might argue that paratransit services are subsidized to a far greater degree than conventional transit, and that even if the fare is doubled to $5.50, it will remain well below the cost of a ride using a taxi or livery service, or an app-based ride-hailing service such as Uber or Lyft. At $5.50, the fare would also be less than the $6.75 charged for express bus service, another conventional transit option offered by the MTA. The additional paratransit charge may encourage paratransit users with fewer physical limitations to switch to conventional transit, which costs less to operate.

Opponents might argue that despite FTA requirements that the level of paratransit service be "comparable" to that of conventional transit, wait and travel times can be far longer than for regular subway and bus service, and the higher fare would further exacerbate the disparity between paratransit service and conventional subway or bus service. Also, it is likely that on average, Access-a-Ride users have lower incomes than users of conventional transit, making the fare hike regressive.

NEW December 2020

Prepared by Alan Treffeisen

Savings Options

Reduce Hours of Operation for 311 Call Services

Savings: $6 million annually

Since it was launched in 2003, New York City's 311 Customer Service Center (known as 311) has been operational 24 hours a day, 7 days a week fielding non-emergency calls. Users of 311 are connected with an operator to receive information, register complaints, and access non-emergency city services; in addition to calls to 311, requests can also be placed through the website, app, or social media. The most frequent 311 requests are complaints about noise and lack of heat, and requests for sanitation to collect large, bulky items. Although the volume of requests to 311 is relatively stable across the days of the week, they are not evenly distributed across all 24 hours of the day. In 2019, 85 percent of 311 requests were placed in the two-thirds of the day between 8 a.m. and midnight. This pattern has held true so far in 2020 as well, even with the surge in less-routine service requests related to the pandemic, Black Lives Matter protests, and Tropical Storm Isaias, in addition to the more typical noise and heat complaints.

This option would cut full 311 service to 16 hours per day—from 8 a.m. to midnight. Users would still be able to submit requests through online platforms at any time, and recorded messages such as the status of alternate side parking would continue at all hours. Reducing the hours of operation for the call center would yield an estimated $6 million in savings annually, primarily through a reduction in costs associated with call center personnel, a mix of both city workers and contractors.

Proponents might argue that scaling back services during the hours when they are unused is a common-sense efficiency. Other major cities such as San Antonio, Denver, and Philadelphia operate 311 systems within set service hours. The 311 service is not intended to address emergencies, and those who are able could use the website, app, or social media platforms to place a request during hours phone operators are not available. The majority of service requests placed after midnight concern noise complaints, many of which either cannot be substantiated or have cleared up by the time the police department responds, or agency-specific questions, which would not be seen by the relevant agency representatives until the following morning anyway.

Opponents might argue that city residents, workers, and visitors are accustomed to around-the-clock service, and that they should be able to connect with 311 no matter the hour. They would further argue that late-night calls currently made to 311 would be replaced by calls to 911 instead, potentially slowing the city's response to emergencies and potentially compelling the city to add personnel to the 911 system. It is also possible that many of the calls to 311 that would have been made during the night would instead be made when the service resumes at 8 a.m., leading to a spike in early morning calls that could require added staffing on the morning shift.

Prepared by Sarah Stefanski

Savings Options

Require a Health Insurance Contribution by Current City Employees

Savings: $584 million in 2022

City expenditures on employee health insurance have increased sharply over the past decade, and are expected to continue increasing rapidly in the future. The Health Insurance Plan of New York (HIP) base rate increased by 3.2 percent for 2020, and IBO projects that it will rise 5.5 percent annually in both 2021 and 2022. About 96 percent of active city employees are enrolled either in General Health Incorporated (GHI) or HIP health plans, with the city bearing the entire cost of premiums for these workers. Savings could be achieved by requiring all city workers to contribute a share of the cost now borne by the city for their health insurance. This option would require active employees to make a graduated contribution based upon their salary.

Under this option city employees making under $50,000 would contribute 5 percent of the HIP base rate ($450 a year for individuals and $1,182 for families), those earning between $50,000 and $100,000 would contribute 10 percent ($900 and $2,363), those earning between $100,000 and $150,000 would contribute 17.5 percent ($1,575 and $4,136 those earning between $150,000 and $200,000 would contribute 25 percent ($2,250 and $5,908), and those earning over $200,000 would contribute 30 percent ($2,700 and $7,090). The city's savings for a proposal with these contribution rates would be $584.2 million in 2022. Other alternatives could use a single rate for all employees or some variation of the proposed rate structure that could generate more or less savings.

Employee health insurance premium contributions would be deducted from salaries on a pretax basis. This would reduce the amount of federal income and Social Security taxes owed and therefore partially offset the cost to employees of the premium contributions. The city would also avoid some of its share of payroll taxes. Implementation of this proposal would require negotiations with the municipal unions and the applicable provisions of the city's Administrative Code would need amendment

Proponents might argue that this proposal generates recurring savings for the city and potential additional savings by providing labor unions, employees, and retirees with an incentive to become more cost conscious and to work with the city to seek lower premiums. Proponents also might argue that given the considerable increases in health insurance costs in recent years, premium cost sharing is preferable to reducing the level of coverage and service provided to city employees. Finally, they could note that employee copayment of health insurance premiums is common practice in the private sector, and becoming more common in public-sector employment.

Opponents might argue that requiring employees to contribute more for primary health insurance would be a burden, particularly for low-wage employees. Critics could argue that cost sharing would merely shift some of the burden onto employees, with no guarantee that slower premium growth would result. Additionally, critics could argue that many city employees, particularly professional employees, are willing to work for the city because of the attractive benefits package. Thus, the proposed change could hinder the city's ability to attract or retain talented employees, especially in positions that are hard to fill.

Prepared by Jonathan Rosenberg

Revenue Options

Tax Parking Placards as a Fringe Benefit

Revenue: $13 million annually

New York City-issued parking permits, also known as placards, are issued by the New York Police Department, Department of Transportation, and Department of Education and allow the holder to park in a subset of otherwise restricted parking spaces ostensibly in connection with the conduct of official duties. With legal parking spaces in short supply in much of the city, having access to reserved spaces is a valuable convenience. Currently, there are 125,500 city-issued placards in circulation.

If you qualify for one, a city-issued parking permit can be a valuable benefit of city employment, yet there is no official valuation placed on them. In general, Internal Revenue Service regulations state that employment compensation is subject to tax, including many forms of nonmonetary compensation that flows from employer to employee. Nonmonetary fringe benefits are supposed to be taxed at "fair market value," the amount someone would pay in an arm's length transaction to buy the benefit. Recognizing placards as a fringe benefit, which would require state approval, would enable them to be subject to city income tax.

Using the estimated going rate of counterfeit placard sales and factoring in a premium that a legal placard would presumably command, the fair market value of a placard is about $4,000. With the number of parking permits currently authorized, the total value of outstanding placards is over $500 million. Taxing the value of these placards as income would yield considerable revenue for the city. Even if 25 percent of recipients forgo their placard rather than pay tax on the benefit, the city would generate an estimated $13.1 million in new city tax revenue. If the state chose to recognize parking placards as a form of compensation city employees would also see an increase in their state income tax liability.

Proponents might argue that these placards, which act as a de facto free parking pass for the permit holder, should already be taxable, and formalizing the process could bring the city into closer compliance with federal tax regulations. Taxing placards may also lead to some reduction in the number issued, which in turn would help congestion and potentially reduce the illegal practice of using placards to park in unapproved areas such as next to fire hydrants or in bus and bicycle lanes. Taxing placards would also raise revenue from a car-centric benefit greatly maligned by transit advocates, revenue that could fund other city services.

Opponents might argue that parking placards are a necessity rather than a perk. Taxing placards would do little to address the problem of illegal parking by public employees, which is really an enforcement issue. In addition, the benefit would need to be renegotiated in future collective bargaining agreements.

Prepared by Daniel Huber