Budget Options For New York City

Infrastructure

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Budget Option

Eliminate the Manhattan Resident Parking Tax Abatement

Revenue: $23 million annually

The City imposes taxes of 18.375 percent on garage parking in Manhattan. Manhattan residents who park a car in a long-term rented space for a month or more are eligible to have a portion of these taxes abated, effectively reducing their tax to 10.375 percent, which matches the tax rate for garage parking in boroughs outside Manhattan. Currently, just over 200,000 vehicles belong to Manhattan's nearly 1.7 million residents. If 1 out of every 5 of these vehicles receives the monthly parking abatement, eliminating this abatement would generate an additional $23 million annually in City sales tax. The elimination of the abatement would require an amendment to New York State Tax Law.

Proponents might argue that having a car in Manhattan is a luxury and that drivers who can afford to own a car and lease a long-term parking space can also afford to pay a premium for garage space. Car owners contribute to the city's congestion, poor air quality, carbon emissions, and wear and tear on streets. Elimination of the parking tax abatement would force Manhattan car owners to pay a greater share of the costs of their choice to drive. They might also point out that the additional tax would be a small cost relative to the overall expense of owning and parking a car in Manhattan. The average pre-tax monthly cost to park is $726 in downtown Manhattan, and $579 in midtown. The tax increase would be about $58 a month downtown, $46 a month in midtown, and lower in residential neighborhoods with less expensive parking. This relatively modest increase is unlikely to notably influence car owners' choices about where to park.

Opponents might argue that the tax abatement is necessary to encourage Manhattan residents to park in garages, thereby reducing demand for the finite supply of street parking. Furthermore, they may argue cars are scarcely a luxury good for the many Manhattan residents who work outside the borough and rely on their cars to commute. Finally, they could argue that, at least in certain neighborhoods, residents are already paying premium rates charged to commuters from outside the city, which are higher than those charged in predominantly residential areas.

Prepared by Emily Pramik

Budget Option

Increase Speed Camera and Red Light Camera Fines for Multiple Violations in the Same Year

Revenue: $475 million annually

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 24 hours a day in 750 school zones around the city. 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, fining vehicles that illegally pass through red lights.

Currently, the fine for either a speed or red light camera violation is $50. Some 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 fiscal year 2023, the City adjudicated over 6.3 million violations for 2.5 million vehicles that violated the posted speed limits in school zones. Over one million of these vehicles (48 percent) had multiple school speed zone violations during the year, while over 66,000 had 10 or more violations. The City also adjudicated nearly 670,000 summonses to over 520,000 vehicles for red light camera violations during fiscal year 2023. Of this total, nearly 100,000 vehicles (19 percent) were issued multiple summonses for red light violations, and 137 vehicles were issued more than 10 such violations in the year.

If the City had an incremental fine structure for repeated school zone speeding and red light camera violations that mirrored the existing incremental fines for bus lane violations, in fiscal year 2023, the City would have collected approximately $475 million of additional revenue. Fines for school zone speed camera violations would have increased by 130 percent while red light camera fines would have increased by 28 percent. Our estimate of revenues under an incremental fine structure assumes no behavioral change. Revisions to sections of the New York State Vehicle and Traffic Law would be required to implement this change.

Proponents might argue that speed and red light camera violations involve moving vehicles and pose a serious threat to life and property. In too many cases, 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 speed 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. Finally, since these fees would be assessed independently from driver income, they may pose undue burden on low-income violators while having minimal impact on higher-income violators.

Budget Option

Institute a Residential Permit Parking Program

Revenue: $2 million in the first year; $6 million annually by year three

This option involves establishing a pilot residential permit parking program in New York City. The program would be phased in over three years, with 25,000 annual permits issued the first year, 50,000 the second year, and 75,000 the third year. If successful, the program could be expanded in subsequent years.

On-street parking is a perennial challenge for residents of many New York City neighborhoods. Residential areas adjacent to commercial districts, schools, and major employment centers attract large numbers of non-resident vehicles. These vehicles compete with those of residents for a limited number of parking spaces. Many cities faced with similar situations give preferential parking access to local residents, most commonly through a neighborhood parking permit program. The permit itself does not guarantee a parking space, but by preventing all or most outside vehicles from using on-street spaces for more than a limited period, permit programs can make parking easier for residents. In recent years, City Council members have called for residential parking permitting, although any such program would require State approval and amendment of the New York Vehicle and Traffic law.

Under the budget option, permit parking zones would be created in selected areas of the city. Within these zones, a set number of parking spaces would be available only to resident permit holders, with the remaining spaces available to non-residents. The permitted areas would exclude commercial zones and metered parking areas and would ideally be neighborhoods with ample public transportation options and sufficient paid off-street parking available. Permits would be sold to neighborhood residents with valid New York State license plates. IBO has assumed an annual charge of $100, with administrative costs equal to 20 percent of revenue. Depending on the initial performance of the program, the City may opt to expand it to include a larger number of permits, or a limited supply of permits that may be purchased by individuals with out-of-state plates and qualified local businesses.

Proponents might argue that residential permit parking has a proven track record in other major cities, and that the benefits to neighborhood residents of easier parking would far outweigh the fees. The program would also arguably serve as a deterrent to commuters seeking free parking in neighborhoods that lie just beyond the zone where congestion pricing is scheduled to take effect. Finally, requiring permit holders to have vehicles registered in-state would incentivize resident car owners to relinquish their out-of-state plates, a practice that affects the City's and State's revenues from New York vehicle registrations and associated fees.

Opponents might argue that ithat it is unfair for city residents to have to pay for on-street parking in their own neighborhoods, particularly when residents are likely already paying premium rates to park in garages catering to commuters from outside. Opponents also might argue that, despite the availability of public transportation or off-street parking, businesses located in or near permit zones may experience a loss of clientele from outside the neighborhood.

Prepared by Emily Pramik

Budget Option

Require the Economic Development Corporation to Remit Surplus Income to the City

Revenue: $67 million per year for three years, $25 million annually in subsequent years

Economic development programs in New York City are administered by the Economic Development Corporation (EDC), a nonprofit organization, under contract with the City. EDC operates and maintains City-owned real estate and can retain surplus revenue to fund its own initiatives, in addition to grant money that it receives from the City and other sources. Because EDC is a non-profit acting on behalf of the City, this spending does not appear in the City's budget.

EDC's real estate operations are extremely profitable. Since 2019, EDC earned an average of $275 million in gross operating revenue each year from sources such as rental income from City-owned properties, income from the sale of City-owned assets, and developer and tenant fees. Related expenses have averaged $121 million per year, leaving an average annual net operating income of $154 million—a 56 percent profit margin.

EDC must remit some of this net income to the City, though the amount is subject to annual negotiations with the Mayor and the Comptroller. Over the past three years, EDC has paid the City an average of $38 million a year. EDC is allowed to retain the rest of its net operating income—$116 million on average—to pay for its own activities. These funds are in addition to grants it receives from the City and other sources, such as federal community development grants and capital project funds.

EDC retains surpluses and build up substantial cash reserves. At the end of 2021, EDC held $108 million in unrestricted cash and investments. The Industrial Development Agency and Build NYC, two affiliated organization staffed by EDC employees, had additional unrestricted investments worth $21 million.

This option would require the Mayor to request EDC and its affiliates to remit their net operating income from real estate asset management activities to the City at the end of each fiscal year. Assuming EDC's recent staffing levels and programmatic spending are maintained, the transfer would net about $25 million in City revenue, in addition to the funds the city currently receives from EDC. If the City were to sweep EDC's current unrestricted cash and investments over a three-year period, this would result in the transfer of another $43 million per year for three years.

Proponents might argue that EDC should not fund its policy agenda using revenue from City-owned property. They could argue that it would be more transparent if the City directly appropriated money for economic development in the context of competing needs, rather than allow EDC to retain revenue that would otherwise flow to the City. This would treat EDC like other revenue-generating City agencies, which are required to remit the revenue they raise to City coffers. They might also argue that the proposal would not compromise EDC's ability to manage City-owned properties, and that EDC could retain its policy functions—though paid for from the City budget.

Opponents might argue that in addition to maintaining and investing in City-owned real estate, EDC already contributes hundreds of millions of dollars to the City's budget each year. They could also argue that EDC funds its own operations without any assistance from the City's general fund, which frees up City funds for other needs. Finally, they could contend that EDC's expense spending is already monitored by the Office of Management and Budget, City Comptroller, and the Corporation's independent board of directors.