OPTION:

Co-Locate New Charter Schools Within Department of Education Buildings

Savings: $14 million in the first year

Under the Bloomberg Administration, the city aggressively sought to use space in underutilized Department of Education (DOE) buildings to house newly approved charter schools. This process of co-location has slowed in recent years, even as each year brings a new crop of charter school openings. In the six years from 2009 through 2014, 76 charters were placed in existing DOE buildings, an average of more than 12 a year. In 2015, nine charters were newly co-located, a number that includes placement decisions made in the waning days of the Bloomberg Administration. Co-location has declined further since then, with two charters placed in DOE buildings in 2016 and seven in the current year.

This does not mean that the city is not supporting the facility needs of new charter schools. Under a state law passed in 2014, the city is required to pay rental assistance to any new or expanding charter that seeks placement in a DOE building and is denied that placement by the city. Under the law, the city must reimburse the charter for its lease costs, but the payment is capped at 20 percent of the basic tuition payment to charter schools. That translates to $2,805 per student in lease aid in the current year. Lease costs for charter schools that the city chooses not to co-locate in DOE space is reflected in the city's budget. For 2017, the adopted budget includes $40.3 million for charter school lease payments, up from $27.0 million in fiscal year 2016 and $10.2 million in fiscal year 2015, the first year the law was in effect. The first $40 million of aggregate lease expenses are borne by city funding alone. Once the DOE incurs $40 million in lease payments for charter schools in non-DOE facilities, it is eligible for reimbursement by the state of up to 60 percent of approved costs over the initial $40 million; approved costs are subject to state law, and may not necessarily include all of the expenditures made by the DOE.

Charter school advocates and the DOE disagree over the extent to which there is space available in DOE buildings to house these charters. With 40 percent of DOE students in buildings that are overcrowded, it is clear that the DOE faces space constraints in many areas of the city. At the same time, there are 101 DOE buildings with utilization rates less than or equal to 70 percent. Under this option, the DOE would return to primarily using available space in existing DOE buildings to house new charters.

Proponents might argue that the DOE could find suitable space in DOE buildings for these charter schools and avoid the growing cost of charter school leases. In the past, the city has been able to accommodate co-located schools—not only charter schools but also multiple DOE schools in the same building. Data indicates that the over 500 buildings with existing co-locations have lower utilization rates than buildings with single schools, indicating that co-location can occur without exacerbating overcrowding. Finally, they might argue that the money spent on these leases could be better used to augment services to students.

Opponents might argue that past co-locations have disrupted routines in schools, with conflicts arising over the use of shared facilities. They might also point to lost opportunities to provide additional services in underutilized buildings that could potentially attract more students. They might also say that as the city's population continues to grow, these open seats should be held for potential growth in DOE enrollment. Finally, they might argue that while not insignificant, the $40 million for leases is a small part of the $1.7 billion that currently flows through the DOE's budget to charters.

OPTION:

Divert an Additional 10 Percent of Paratransit Trips to Taxis

Savings: $13 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 responsible for subway and bus service in the city. Under the terms of an agreement between the city and NYC Transit, the city pays one-third of paratransit net operating expenses, after subtracting out fare revenues, tax revenues dedicated to paratransit, and the program's administrative expenses. In addition, the year-to-year increase in the city subsidy is capped at 20 percent. For many years rising expenses resulted in annual subsidy increases that were capped at 20 percent, but more recently the year-over-year changes in the subsidy have been very small or even negative. Assuming this trend continues, each reduction in expenses will lead to an equivalent reduction in the city subsidy.

Access-a-Ride contracts with private transportation companies to deliver paratransit services. Conventional paratransit consists of dedicated wheelchair-accessible vehicles. NYC Transit also uses taxis and livery cars and has found that they can in many cases transport passengers at a lower cost. In 2015 just 4 percent of medallion taxis, 17 percent of green taxis, and a negligible share of livery cars were wheelchair accessible. The TLC provides some financial incentives for owners to use accessible vehicles, and has sold some yellow cab medallions and green taxi permits that are only valid for accessible vehicles. At the same time, however, around 80 percent of current Access-a-Ride users do not require a wheelchair, and can potentially travel in a non-accessible vehicle.

Currently, around 70 percent of Access-a-Ride trips are made on dedicated paratransit vehicles, at an average cost per ride of around $68. The remaining 30 percent of trips are made using taxi and livery vehicles, at an average price per ride of about $26. NYC Transit pays providers by the hour, not by the trip, and at the margin there may not be significant savings from diverting one trip to a taxi or livery car. For example, a dedicated Access-a-Ride vehicle that is already making a trip can pick up and discharge an additional passenger along the same route for an additional cost close to zero. However, moving a larger share of paratransit service to taxi and livery vehicles can provide substantial savings. Assuming conservatively that the marginal savings per ride is half of the average per ride savings, IBO estimates that diverting an additional 10 percent of paratransit trips (a little over 600,000 trips annually) to taxis and livery vehicles would lower costs by $13 million, and therefore reduce the city subsidy by an equivalent amount.

Proponents might argue that that for most paratransit users, taxis and livery vehicles can provide equivalent or even superior service compared with a dedicated vehicle. Taxis and livery cars are available in much greater numbers than dedicated vehicles, and can easily switch back and forth between regular and paratransit service. Giving taxis and livery cars a greater share of the paratransit market would help a sector that has seen the demand for its services decline due to apps such as Uber and Lyft.

Opponents might argue that although most paratransit users do not require a wheelchair, many do need some extra help getting between the street and building entrances, as well as carrying packages. Dedicated paratransit drivers are expected to provide these services, whereas taxi and livery drivers are not. In general, taxi and livery drivers are not always prepared to meet the challenges of transporting passengers with disabilities.

OPTION:

Replace Selected MTA Bus Company Service With Street Hail Liveries (Green Taxis)

Savings: $20 million annually

The MTA Bus Company (MTA Bus) was created in 2004 as a subsidiary of the Metropolitan Transportation Authority (MTA), the public authority responsible for providing subway and bus service within New York City, and commuter rail service into the city. MTA Bus operates local bus service, mostly in the borough of Queens, and express service to and from Manhattan. This bus service was formerly operated by private companies under franchise agreements with New York City. The companies received subsidies administered through the city's Department of Transportation (DOT). The MTA agreed to take over the bus routes under the condition that the city would reimburse the MTA for operating expenses net of fare revenues and certain other subsidies. The cost to the city of reimbursing the MTA has grown steadily over time, reaching $399 million in 2015. MTA Bus reported operating expenses of $641 million in 2014, equivalent to $207.33 per vehicle revenue hour (the cost of maintaining one bus in service for one hour). This figure is similar to the $213.88 cost per vehicle revenue hour for New York City Transit buses

This option would reduce the city's reimbursement to MTA Bus by instituting a pilot project that would replace service on lightly traveled local bus runs in Queens with taxi service. In conjunction with the MTA, the city would identify 10 percent of bus runs with low passenger counts that could be replaced with taxis that agree to "cruise" the pilot routes. After accounting for administrative costs, including possible payments to both the MTA and taxi owners or operators as an inducement to participate in the pilot, IBO's conservative estimate is that the city could reduce its subsidy payment to the MTA by $20 million per year.

Specially marked street hail liveries (better-known as green taxis) would pick up and drop off passengers at stops along the bus route, for a cash fare equivalent to the undiscounted subway and bus fare, currently $2.75 per passenger. Taxis could pick up and discharge multiple passengers along the route, as long as the normal capacity of the vehicle were not exceeded. The fares would go to the driver and taxi owner, not the MTA. Incorporating the MetroCard fare system into taxis would be prohibitively expensive. However, as the MTA moves to new payment systems that use dedicated "smart cards" or bank cards, the payments to taxis could be integrated into the MTA fare system. Until that transition takes place, taxis could partially compensate riders by issuing paper transfers valid for a free bus ride.

According to the city's Taxi and Limousine Commission, the average gross fare revenue per hour (excluding tips) for green taxis was $20.63 in 2015. Assuming that tips bring the total up to $25, the driver of a green taxi would need to transport 10 passengers per hour along the bus route at the $2.75 fare to exceed the current average fare revenue.

Proponents might argue that replacing buses with taxis on lightly traveled runs represents a more efficient use of public resources. With taxis, service can be provided more frequently, and the hours of service extended. The city's green taxis have been hit hard by the rise of services such as Uber and Lyft, and the proposed pilot would give them a new and important role to play in the transportation system.

Opponents might argue that the inability to pay with a MetroCard penalizes riders, particularly those with unlimited MetroCards who would be charged a cash fare when the trip would otherwise be covered with their unlimited card. In addition, some users may prefer riding a bus to sharing a taxi with strangers. Others might argue that this change could lead to job losses for the MTA employees currently staffing these bus lines.

Prepared by Alan Treffeisen

OPTION:

Eliminate Public Funding of Transportation For Private School Students

Savings: $56 million annually

New York State law requires that if city school districts provide transportation for students who are not disabled, the district must also provide equivalent transportation to private school students in like circumstances. Under Department of Education (DOE) regulations, students in kindergarten through second grade must live more than a half mile from the school to qualify for free transportation, and as students age the minimum distance increases to 1.5 miles. The Department of Education provides several different types of transportation benefits including yellow bus service, and full- and reduced-fare MetroCards.

In the 2014–2015 school year, 39 percent of general education students receiving full- or reduced-fare MetroCards attended private schools (roughly 147,000 children). In the same year, about 39 percent of general education students using yellow bus service attended private schools (approximately 37,000 children). DOE expects to spend more than $378 million this school year on the MetroCard program and yellow bus services for general education students at public and private schools, combined.

The MetroCard program is financed by the state, the city, and the Metropolitan Transportation Authority (MTA)—the city's contribution is $45 million and the state's is $45 million, while the MTA absorbs any remaining costs. Total expenditures in the 2015–2016 school year for yellow bus service are expected to be $333 million, making the city's portion roughly $113 million based on a 34 percent share of expenditures. Elimination of the private school benefit, which would require a change in state law, could reduce city funding by roughly $56 million—$12 million for MetroCards (27 percent of the city's $45 million expense) and $44 million for yellow bus service.

Proponents might argue that when families choose to use private schools, they assume full financial responsibility for their children's education and there is no reason for the city to subsidize their transportation, except for those attending private special education programs. Proponents concerned about separation of church and state might also argue that a large number of private school children attend religious schools and public money is therefore supporting religious education. Transportation advocates could also argue that the reduction of eligible students in the MetroCard program will benefit the MTA even more than the city and state as the program costs to the authority are believed to be greater than the amount of funding.

Opponents might argue that the majority of private school students in New York attend religious schools rather than independent schools. Families using such schools are not, on average, much wealthier than those in public schools and the increased cost would be a burden in some cases. Additionally, the parochial schools enroll a large number of students and serve as an alternative to already crowded public schools. If the elimination of a transportation benefit forced a large number of students to transfer into the public schools, the system would have difficulty accommodating the additional students. Opponents also might argue that parents of private school students support the public schools through tax dollars and are therefore entitled to some public education-related services. Furthermore, opponents might argue that as public transportation becomes increasingly expensive in New York City all school children have an increased need for this benefit.

OPTION:

End the Department of Education's Financial Role as FIT's Local Sponsor

Savings: $46 million annually

The Fashion Institute of Technology (FIT) is a community college in the State University of New York (SUNY) system. Like all SUNY community colleges, it has a local sponsor, in this case the city's Department of Education, which is required to pay part of its costs. FIT is the only SUNY community college in New York City; all other community colleges in the city are part of the City University of New York system. The city has no financial responsibility for any other SUNY school, even though several are located here.

FIT specializes in fashion and related fashion professions. Originally, it was a two-year community college, but in the 1970s FIT began to confer bachelor's and master's degrees. Today the school has 23 bachelor degree programs along with six graduate programs, which account for nearly half its enrollment. Admission to FIT is selective, with fewer than half of applicants accepted; a large majority of its students are full-time and a substantial fraction are from out of state. Thus the school is a community college in name only; functionally, it is a four-year college.

In New York State, funding for community colleges is shared between state support, student tuition, and payments from a "local sponsor." Under this proposal, FIT would convert from a community college to a regular four-year SUNY college; the Department of Education would cease to act as the local sponsor and would no longer make pass-through payments to subsidize FIT. As a result of this change, the college would have to rely more on tuition, state support, its own endowment, and any operational efficiencies and savings that it can implement. This change in FIT's status would require state legislation.

Proponents might argue that there is no reason for FIT's anomalous status as a community college sponsored by the Department of Education; given that it is, in practice, a four-year SUNY college it should be funded like any other SUNY college. They might also argue that because New York City is a major fashion capitol, there are good prospects for philanthropic and industry support to make up for loss of local sponsorship. They might also note that the mission of the Department of Education is to provide for K–12 education for New York City children, and that subsidizing FIT is not relevant to this mission. Finally, they might point out that demand for higher education has been growing—especially at affordable, well-regarded institutions like FIT—so tuition will continue to be a strong revenue source, softening the blow of the loss of city funds.

Opponents might argue that loss of local sponsorship could lead to a sharp rise in tuition that will offset the affordability of FIT. Additionally, opponents could also point out that the state does not meet its current mandate for funding of community colleges so it is not likely that the state would make up the loss of city funds. They also might suggest that even if the current arrangement does not make sense, the logical alternative would be to incorporate FIT into the city university system, which would not produce savings for the city nor guarantee that the funds would be available for other education department spending. And finally, they could say that other funding sources such as contributions from the business community are too unstable because they can shrink when the economy slows.