End the Requirement To Give Rental Assistance To Charter Schools

Savings: $75 million annually

In 2014, New York State passed a law that for any new or expanding charter schools in New York City, the city must either provide classroom space in existing Department of Education public school buildings or reimburse schools for rental costs in private spaces for those schools that request such space. Currently, New York City is reimbursed annually for 60 percent of charter rental expenses under state law. These payments are known as charter rental assistance payments, lease aid, or facilities aid. This option requires a change in New York State education law to generate savings.

Charter schools authorized and operating after April 1, 2014, or charter schools that began operating prior to April 1, 2014, but that have since expanded, are eligible for rental assistance. During the 2020-2021 school year there were 158 charter schools that received such assistance. The amount of rental assistance for a charter school is calculated as the lesser of 30 percent of the state's per-pupil charter school payment for New York City multiplied by the number of students enrolled, or total rental costs. After accounting for state reimbursement, IBO estimates that the city will spend $75 million in charter rental payments in fiscal year 2023. This option would eliminate these payments.

Over the next year, IBO currently expects three new charter schools to become eligible for lease aid, a slowdown of prior year growth as New York City reached its statutory limit on the number of charter schools. Governor Hochul has proposed lifting the city's charter cap in the her Executive Budget, however, it is unclear if that proposal will be included in the state's Adopted Budget and IBO has not included the impact of lifting the cap in this option. Even without the change, it is likely, however, that rental assistance payments will continue to grow somewhat in coming years as existing charter schools expand by adding new grade levels and eliminating the payment could produce somewhat larger savings as this cost grows in future years.

Proponents might argue that requirement creates an unfair burden on New York City, which is the only jurisdiction in the state required to help pay for charter school rent. Additionally, many charter schools opened prior to April 1, 2014 and are able to operate without rental assistance. Furthermore, there are instances in which this aid is redundant because some charter schools use the rental payments for buildings owned by an affiliated organization, such as a Charter Management Organization.

Opponents might argue that charter schools are public schools and should be compensated for out-of-pocket rental costs if they are not provided public school space as these are costs traditional public schools do not have to bear. Alternatively, New York City public schools could avoid this expense altogether by providing charter schools with appropriate co-location in public schools. Finally, removing this financial support from charter schools currently receiving facilities aid could be disruptive to their school budgets.

Prepared by Nicholas Martin

Savings Options

Eliminate City Funding for Nonpublic Schools

Savings: $70 million annually

Students in private and parochial schools are legally entitled to some publicly funded services that are paid either by the state or the school district. State-funded programs and services include: health services, textbook loan program, computer software loan program, transportation, and mandated services reimbursement including for academic intervention services. City dollars provide additional funding for transportation and school safety. Under this option, nonpublic schools, with the exception of private special education schools providing special education and related services under contracts with the Department of Education, would no longer receive city funding. This option does not account for additional savings at the state or federal levels.

State law requires that if city school districts provide transportation for students who are not disabled, the district must also provide equivalent transportation to nonpublic school students in like circumstances. In school year 2017–2018, roughly 207,000 private and parochial school students in New York City were provided transportation either through MetroCards or yellow bus service. Elimination of the transportation benefit for nonpublic schools, which would require a change in state law, could reduce city funding by roughly $55 million—$11 million for MetroCards and $44 million for yellow bus service.

In school year 2016-2017, the city started reimbursing nonpublic schools that chose to hire unarmed security guards, provided they were paid a union-level wage of at least $18 an hour. Schools with 300 to 499 students can be reimbursed for the cost of one unarmed security guard, while schools with 500 to 999 students can get enough money for two guards. Schools with larger populations are entitled to additional security guards. The city expects to reimburse nonpublic schools a total of $14 million in the 2018-2019 school year under this program.

Proponents might argue that when families choose to use nonpublic schools they assume full financial responsibility for their children's education and there is no reason for city subsidies, except for those attending private special education programs. Proponents concerned about separation of church and state might also argue that a large number of nonpublic school children attend religious schools and public money is therefore supporting religious education.

Opponents might argue that the majority of nonpublic 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 public benefits forced a large number of students to transfer into public schools, the system would have difficulty accommodating the additional students. Opponents also might argue that parents of nonpublic school students support the public schools through tax dollars and are therefore entitled to some public education-related services.

Prepared by Erica Vladimer

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

Savings: $60 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 6 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 the 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.

Updated November 2020

Prepared by Yolanda Smith

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 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 ADA 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.

Prepared by Alan Treffeisen

Savings Options

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

Savings: $26 million annually

The MTA Bus Company (MTA Bus) was created in 2004 as a subsidiary of the Metropolitan Transportation Authority (MTA). 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. 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 $570 million in 2019. Although the Covid-19 pandemic caused MTA Bus to temporarily reduce service in 2020, full service has since been restored and as of November 2021 the City's subsidy is projected to reach $724 million as fare revenues recover slowly.

The MTA Bus Company reported operating expenses of $854 million in 2019, equivalent to $259 per vehicle revenue hour (the cost of maintaining one bus in service for one hour). This figure is higher than the $220 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 estimates the city could reduce its subsidy payment to the MTA by $26 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 the new OMNY payment system that uses dedicated "smart cards" or bank cards, the payments to taxis could potentially 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.

Based on average fare revenue for green taxis, IBO estimates that an hourly rate of $25 per hour would be sufficient to attract drivers to participate, relative to what they would earn for street hail pick-ups. This means that they would need to pick up at least nine passengers per hour along the bus route at the current $2.75 fare.

Proponents might argue 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 app-based 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 or OMNY 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. With the introduction of weekly fare-capping for OMNY riders in 2022, in which riders will enjoy free trips after reaching $33 in trips in a seven-day period, riders may stand to miss savings if taxi trips are not counted toward weekly totals. In addition, some users may prefer riding a bus to sharing a taxi in close proximity with strangers, especially as the Covid-19 pandemic continues. Others might argue that this change could lead to job losses for the MTA employees currently staffing these bus lines.

Prepared by Emily Pramik