OPTION:

Double the Incentive Payments for the Health Benefit Waiver Program

Savings: $3 million in 2019, growing annually in the following years

New York City has experienced a dramatic rise in the cost of providing health care to its workforce. From 2007 through 2017, individual and family premiums have increased over 100 percent, from $3,740 to $7,669 and $9,163 to $18,789, respectively. One strategy the city employs to reduce medical expenses is the Medical Spending Conversion Health Benefits Buy-Out Waiver Program. Employees who are covered by another health plan (either through their spouse/partner, parents, or outside employment) are eligible to receive an annual buyout from the city—$500 for waiving individual coverage and $1,000 for family coverage.

With one exception, the buyout waivers have remained at $500 and $1,000 since they doubled in 2008. With waiver payments remaining constant in nominal terms and declining in inflation-adjusted terms, participation in the waiver program gradually declined from 2010 through 2015. In 2016 the city briefly tripled the waiver payments, increasing the number of participants by over 1,000, or 24 percent. Even after payments reverted to $500 and $1,000 in 2017, however, the number of employees participating in the buyout program barely declined, dropping by approximately 170 (2.6 percent). In 2017 the number of takers for the waivers remained 20.6 percent higher than it was in 2015.

Under this option the city would double the health waiver benefit payments to roughly reflect the increase in premium costs over the last decade, providing a greater incentive for employees to join the program. Assuming a modest increase in the waiver participation rate rather than the declines seen in past years where payments stayed flat, IBO estimates that doubling the current payment levels would save the city an additional $3.3 million in the first year. Savings will continue to grow as health insurance premium costs continue to rise, outpacing the impact of possible future declines in waiver program participation.

Proponents might argue that the amount of the waiver has not been permanently increased in 10 years while the city's premium costs have doubled. Moreover, proponents could argue that an increase need not be as large as in 2016 when the city tripled the waiver payments and program signups spiked, but the net savings grew by a relatively modest 9.2 percent. Even a more modest increase would be sufficient to generate savings. Proponents also might contend that a regular calibration of the real value of the waiver payment to the increase in health care premium costs would enable the city to achieve a more balanced incentive and attract a greater pool of participants.

Opponents might argue that in years when the waiver amounts have remained steady the net number of waiver takers has barely declined despite the drop in the real value of the waiver amounts, and thus each year the city has accrued greater annual savings per participant. So long as participation does not precipitously drop, the city should not further subsidize waiver takers who already have outside coverage in order to attract new waiver beneficiaries. They may also argue that increased participation in the waiver program would reduce the number of employees in the city's pool of health insurance recipients. At some point, if too many employees opt out of the city's health insurance program, the city's bargaining power with the health insurance companies may diminish, leading to higher premium costs.

Prepared by Robert Callahan

OPTION:

Require Landlords of Rental Buildings To Obtain Operating Permits

Savings: $17 million annually

Under current law, owners of rental buildings with three or more apartments must annually register their contact information with the Department of Housing Preservation and Development (HPD) for a $13 fee. There is no relationship between registration and ensuring that a building meets health and safety standards under the city's housing maintenance code. It has been decades since the city routinely inspected apartment buildings. Generally, HPD only inspects apartments for violations of the city's housing code if a tenant complains.

This option would require landlords to obtain an annual permit to operate their buildings, modelled after the city's restaurant permitting requirement. The city of Toronto is implementing a similar program in an effort to spur better housing maintenance by building owners, particularly of lower rent housing. Under this option, landlords would be required to hold a permit for each of their buildings and to either be trained or have a managing agent or other employee trained and certified on the housing code. All buildings would be subject to an annual inspection, and, like restaurants, a posted grade rating.

To ensure access to a property, inspections would be scheduled with owners, who would facilitate inspection of common areas and building systems. Owners would also have to post notice of an upcoming inspection and tenants would have the option of having their individual apartments inspected.

The city would charge an annual fee based on a building's apartment count to obtain a permit, which would cover the annual inspection and training costs. The fee would be about $600 for a 24-unit building (using current inspection costs adjusted for the economies of scale created by performing many inspections in one building at once). Because of these routine inspections, complaint-based inspections would decrease, generating savings for the city. Most of the costs to perform a complaint-based inspection are borne by the city, not the landlord. If complaint-based inspections were to drop by half, the city would save $17 million annually.

Proponents might argue that permits are already required to operate a motor vehicle and to open a restaurant, tasks that, if done improperly, pose a public risk. Failure to maintain safe housing poses a similar risk. Permitting would help ensure landlords know health and safety laws. Landlords would also have an incentive to maintain their buildings properly to receive a good rating while also helping to meet the public policy goal of preserving housing, especially more affordable units. Posted grades would be an easy way to inform prospective tenants of building issues. Restaurant permitting does not appear to hurt the restaurant industry or dramatically increase prices—similar results could be expected for rental buildings.

Opponents might argue that the cost of obtaining a permit and possible increased civil penalties for housing code deficiencies would be passed on to renters. They also might argue that posting ratings publicly might create a stigma for the building's tenants, and that with rent-stabilized tenants often reluctant to give up a lease and limited vacancies at low and moderate rents, it is much harder to move than to choose a restaurant based upon rating information. Additionally, opponents might argue that responsible landlords with few or no housing code violations will now have to shoulder the cost of ensuring that less responsible landlords are maintaining their buildings properly.

Prepared by Sarah Stefanski

OPTION:
Shift Payment of All WageWorks Fees for Commuter Benefit Plans to Employees

Savings: $1 million annually

New York City employees have access to a variety of pre-tax benefit plans. Among the options available to employees are plans providing pre-tax benefits for the cost of commuting. The city contracts with WageWorks to manage the provision of these commuter benefits on a per-user fee. The fees currently range from $1.77 to $3.05 for each user per month.

Prior to contracting with WageWorks to provide the commuter benefit programs in 2010, the city directly managed the pre-tax commuter benefit program with the administrative costs paid for by the city. The change to WageWorks management allowed the city to offer a wider variety of options to the plan participants. The city and its labor unions agreed that going forward, the city rather than employees would pay the WageWorks administrative fee for those participating in commuter benefit plans that had existed prior to the shift to WageWorks. Employees who enroll in the Transit Pass program, the Park-n-Ride program or the Unrestricted Commuter Card program—all programs newly available to city workers following the shift to WageWorks—are required to pay the WageWorks administrative fee out of their post-tax income.

Over the past six years the city's fee payment to WageWorks has averaged $858,000 annually; in calendar year 2016 the city paid the fee for over 49,000 participating city employees. As usage grows, IBO estimates that the city's payment to WageWorks will eventually exceed $1 million a year. Because the Internal Revenue Service treats the payment of these city-subsidized fees as a fringe benefit, this arrangement increases the employees' taxable income, thus reducing the benefit of the payment. In 2016 nearly 22,000 other city employees participated in commuter plans in which the employee paid the WageWorks fee, paying a total of nearly $270,000.

This option would shift the monthly payment of the WageWorks fee for all of the commuter benefit programs to employees, ending the distinction between participants in different plans. The elimination of this fee would have to be done as a part of a collective bargaining agreement between the city and its labor unions.

Proponents might argue that the city is treating the variety of pre-tax commuter plans differently in subsidizing users of certain plans while not subsidizing those who opt for other plans. They could point out that the fees employees would now have to pay are relatively small compared with benefits received and that they would no longer be taxed on the fee since the city is no longer paying it.

Opponents might argue that city employees have never had to pay the fee for these pre-tax commuter plans and this change would result in a reduction in benefits provided to employees. They might also point out that for at least some of the lowest paid city employees, the extra burden of paying the fee could deter them from taking advantage of the program.

OPTION:

Switch to Auto-Loading Garbage Pick-Up in Low-Density Neighborhoods

Savings: $30 million annually

The Department of Sanitation (DSNY) currently uses single or dual bin rear-loading trucks to pick up the majority of curbside refuse in New York City. These trucks require two DSNY workers—one to drive while the other manually loads curbside refuse onto the truck. Alternatively, the city could shift to using automatic side loading sanitation trucks in some areas. These trucks use mechanical arms to pick up standardized plastic garbage cans curbside and dump them overhead into the truck before replacing the empty can on the curb. If use of these auto-loading trucks were expanded in low-density neighborhoods, only one sanitation worker would be required per route, lowering DSNY labor costs. Additionally, eliminating the requirement to repeatedly lift heavy bags or cans on these routes could reduce injuries and worker compensation costs.

Many municipalities across the country have switched to automatic loading sanitation trucks and have successfully lowered waste collection costs. However, these trucks are usually deployed in low- to moderate-density areas because high density areas lack the requisite curbside space for them to operate. In New York City, this would mean restricting the use of auto-loader trucks to Staten Island and outlying areas of Brooklyn, the Bronx, and Queens. Rear auto-loading sanitation trucks could be used in high-density neighborhoods, but these trucks would still require a second sanitation worker to move the garbage cans onto the lifting platform, which eliminates much of the savings on labor. Parking and street cleaning regulations would need to be coordinated to facilitate the auto-loaders, especially in areas that do not have alternate side of the street parking rules.

If neighborhoods with a density of under 30,000 residents per square mile were converted to auto-loading pickup, about 32 percent of city refuse, or 815,000 tons per year, could be collected on single-worker routes, achieving annual savings of about $30 million. This would require purchasing around 700 new side-loading trucks, which cost around $50,000 more per truck than regular sanitation trucks, and supplying participating households with truck-compatible bins at $50 apiece. The new trucks would be expected to last roughly as long as the city's current trucks, but would likely have higher maintenance costs, estimated at $7.4 million per year. The estimated $30 million in annual savings is net of these costs.

Proponents might argue that New York is currently behind in taking advantage of new collection truck technology, and by using auto-loaders in neighborhoods where it is feasible, substantial savings on labor costs could be realized. In addition, it would create a safer work environment for DSNY workers. Switching to the uniform hard plastic garbage cans that are required for auto-loaders could make streets cleaner by containing leaks and smells and making it more difficult for rodents to rummage in the trash.

Opponents might argue that reducing the number of sanitation workers per route could involve difficult union negotiations that could reduce savings. In addition, the new trucks cost more to purchase and maintain. Residents may also be opposed to increased parking regulations, especially if they do not see the benefit of cleaner streets.

Prepared by Daniel Huber

OPTION:

Increase Parks Marina Dockage Rates to Mirror Market Rates

Revenue: $1 million annually

The Department of Parks and Recreation owns and operates three marinas in the city—the West 79th Street Boat Basin in Manhattan, the World's Fair Marina in Queens, and the Sheepshead Bay Piers in Brooklyn—where boat owners can rent docking slips to park their boats. There are waitlists to obtain docking permits—notably there are over 700 boats on the waitlist for the 79th Street Boat Basin. Six-month "summer" (May-October) docking permits from the parks department currently range from $75 to $120 per linear foot, rates that have not been changed since 2012. There are numerous privately owned marinas, as well as boat basins affiliated with park trusts, such as Brooklyn Bridge Park and the Hudson River Park, within the city or on the New Jersey side of the Hudson River that offer similar services, but charge rates that vary from $180 to $295 per linear foot for the same six-month period.

Under this option, the dockage rates at the municipally operated marinas would be raised to mirror the rates charged by the privately owned marinas, which could be done through a parks department rule change. IBO estimates that this could generate an additional $1 million annually. There is the potential for additional revenue if rates for services such as cleaning, winter dry storage, and towing at city marinas were also increased to mirror market rates.

Proponents might argue that the parks department is providing the same service as other marinas and should charge comparable rates. Charging below-market rates hurts the competitiveness of private businesses. Current revenue does not cover the capital investment required to maintain the marinas, so the city is subsidizing those who use them, including permit holders who are not city residents.

Opponents might argue that holding dockage fees low allows for more New York residents and visitors to participate in boating by making it more affordable to dock a boat. If prices were to rise, some current permit-holders might become priced out due to the increase.

Prepared by Sarah Stefanski

OPTION:

Sell Biogas Produced as a Byproduct Of Wastewater Treatment

Revenue: $2 million annually

New York City's 14 wastewater treatment plants process 1.3 billion gallons of wastewater per year. As a byproduct, these facilities produce biogas during the anaerobic digestion stage of treatment. Currently, much of this biogas is flared (burned) off, although some treatment plants use a portion of this biogas to run boilers that provide heat to the treatment processes or to generate electricity. This unused gas represents a renewable source of energy that could instead generate revenue and reduce greenhouse gas emissions.

Biogas is mostly methane, which is the primary component in natural gas and can be used to heat homes and generate electricity. While biogas cannot be directly fed into city gas pipelines, a relatively simple process can make it suitable for sale as a renewable energy source. At the Newtown Creek Wastewater Treatment Plant, National Grid is currently building a $30 million system to capture and process the excess gas that was previously flared off. Under the terms of the deal, the city will receive half the profits from the gas sale. Use of biogas for heating or electricity generation at wastewater treatment plants is common and New York City's large wastewater treatment plants produce large amounts of valuable biogas.

Assuming the capital cost of installing a biogas processing and capture system is the same across the city as at Newtown Creek, three plants (Hunts Point, Wards Island and North River) have the potential to produce enough excess biogas to make the investment worthwhile. North River currently has a cogeneration system that produces both heat and electricity for the facility, which leaves little gas left over to be flared. At the other two facilities, an estimated 2.2 million cubic feet of gas is produced daily with local market value of about $6 million per year. Factoring in the capital cost of constructing two processing facilities, the city could generate $2 million per year by processing and selling the gas itself at market rates. If the city were to persuade National Grid to build facilities similar to the one planned at Newtown Creek at the other two plants with excess biogas with a similar split of the profit, the city would realize an estimated $1 million in revenue with no additional capital cost. In addition to the new revenue source, by expanding the use of the gas and limiting flaring, the city could reduce use of nonrenewable natural gas, benefiting the environment through saving an estimated 44,000 metric tons of CO_2 per year.

Proponents might argue that New York City is currently wasting a renewable energy source and could simultaneously reduce greenhouse gas emissions and generate revenue. Because National Grid already believes that gas capture and processing is profitable and is willing to cover the capital cost in exchange for half the profits, the city would bear little risk if it funded the systems on its own or no risk if it expanded its Newtown Creek agreement with National Grid to cover other wastewater treatment plants.

Opponents might argue that capturing and processing the waste will take up valuable space at wastewater treatment plants and a better use of the gas might be to expand cogeneration instead of processing the gas for public sale. They might also be concerned that if gas prices continue to fall, the capture systems may become unprofitable.

OPTION:

Tax Single-Use Disposable Plastic Bags

Revenue: $80 million annually

Single-use disposable plastic bags (such as those used in supermarkets and drug stores) are made of thin, lightweight film, typically from polyethylene, a petroleum-based material. Although convenient, plastic bags represent the largest share of plastic in the city's waste stream. Plastic bags make up about 2.3 percent, or 67,000 tons, of New York City's residential waste, according to the Department of Sanitation. In 2015, the city spent approximately $7 million to export and landfill plastic bags. Once in a landfill, plastic bags can take 10 years to fully break down—and for some plastics it can take much longer.

Even if disposed of properly, single-use bags are often a source of litter in the city. Due to their light weight, plastic bags are carried by the wind into the surrounding environment where they litter streets, roads, and parks; pollute waterways; and harm marine life. The city devotes considerable resources to collecting plastic bags, as well as cleaning up streets, catch basins, and surrounding waters. Retailers purchase plastic bags in bulk for about 2 cents to 5 cents per bag, a cost that is passed on to consumers.

This option, which would institute a tax of 6 cents per bag, would generate $80 million in revenue in the first year, including $1.6 million in averted waste export costs due to fewer bags being thrown out. Institution of this tax would require state approval.

IBO's estimate assumes that the tax would be collected along with the general sales tax at grocery, liquor, and drug stores throughout the city. Of the 6 cents, 4 cents would go to the city while 2 cents would be transferred to the retailer as an incentive for compliance. This estimate assumes that the use of plastic bags would drop by 20 percent in the short term in response to the tax and that administrative and enforcement costs would amount to 10 percent of total revenue generated. Over time, as consumers further reduce their use of plastic bags, annual revenue would decline. City revenue from the tax would drop to $62 million a year if the use of plastic bags declined by a total of 40 percent.

In 2016, the City Council passed legislation to charge customers a 5 cent fee for disposable shopping bags. Albany legislators, however, enacted roadblocks to its implementation that would still need to be overturned for any plastic bag tax or fee to be established in the city.

Proponents might argue that charging a tax on each plastic bag would force consumers to acknowledge the cost of the product's disposal and therefore influence consumer behavior. They could point to the recently instituted tax in Washington, D.C., as well as results from several cities in Europe that have reduced bag consumption by 80 percent to 90 percent over time while generating revenue for local governments.

Opponents might argue that the tax may encourage city residents to switch to single-use paper bags or shop in surrounding communities. Some could also argue that the tax is regressive, having the greatest impact on the poorest New Yorkers. Opponents also might be concerned about increased costs more broadly to consumers and potential effects on customer convenience.

Prepared by Daniel Huber