



# **BUDGET OPTIONS**

**FOR NEW YORK CITY**

---

**February 2 0 0 8**

**IBO**  
New York City

**Independent Budget Office**

**Ronnie Lowenstein, Director**

**110 William St., 14th Floor • New York, NY 10038**

**Tel. (212) 442-0632 • Fax (212) 442-0350**

**e-mail: [iboenews@ibo.nyc.ny.us](mailto:iboenews@ibo.nyc.ny.us) • <http://www.ibo.nyc.ny.us>**

---



# Contents

Introduction	1
<b>Savings Options</b>	
<i>Reducing Subsidies</i>	
Eliminate Public Funding of Transportation for Private School Students	4
Eliminate Public Funding of Textbooks for Private School Students	5
Reduce Operational Subsidy to Cultural Institutions Groups Receiving Subsidies of \$1 Million or More	6
<i>Revising or Eliminating Programs</i>	
*Citywide “Vote-by-Mail”	7
Replace Late-Night Service on the Staten Island Ferry with Buses	8
Consolidate Senior Centers	9
Eviction Insurance Pilot Program	10
Eliminate Outreach Services to the Homeless	11
Eliminate Grass Clippings from Trash Collection	12
Increase Public School General Education Class Sizes by Two Students	13
<i>Charging for Services</i>	
Pay-As-You-Throw	14
Collect Debt Service on Supportive Housing Loans	15
Establish Copayments for the Early Intervention Program	16
<i>Restructuring the City Workforce</i>	
*Reduce FDNY Engine Company Staffing	17
Make Parent Coordinators Part Time in Schools with Fewer than 500 Students	18
Perform All Housing Code Inspections with One Inspector	19
*Alter Staffing Pattern In EMS Advanced Life Support (ALS) Ambulances	20
Increase the Workweek for Municipal Employees to 40 Hours	21
Allow Police Officers to Work Fewer but Longer Tours While Also Eliminating 20 Minutes of Paid “Wash Up” Time	22
*Encourage Classroom Teachers To Serve Jury Duty During Noninstructional Summer Months	23
<i>Lowering the Cost of Benefits for City Workers</i>	
Consolidate the Administration of Supplemental Benefit and Welfare Benefit Funds for City Employees	24
Bonus Pay to Reduce Sick Leave Usage Among Correction Officers	24
Reduce Supplemental Welfare Contributions for City Workers by 10 Percent	26
*Merge Separate City Employee Pension Systems	27
Institute a New Defined-Contribution Pension Plan for Civilian Workers	28
*Establish 50 as the Minimum Age to Collect Retirement Benefits For Newly Hired Uniformed Personnel	29
Health Insurance Copayment by City Employees	30
Institute a Biweekly Payroll System for City Employees Currently Paid on a Weekly Basis	31

\*denotes new option

*Increase from 5 to 10 the Number of Years Needed for Pension Vesting	32
Eliminate Overtime as a Factor in the Computation of Pension Benefits for City Employees	33

### *Shifting State and Federal Burdens*

*Increase State Reimbursement for Certain Criminal Justice Costs	34
Swap Local Medicaid Burden for a Portion of Local Sales Tax	35
State Reimbursement for Inmates in City Jails Awaiting Trial for More Than One Year	36
*Raise Reimbursement Rate for Certain Categories of State Inmates Held In City Jails	37

## **Revenue Options**

### *Adjusting the Personal Income Tax*

Personal Income Tax Increases for High-Income Residents	39
Restore the Former Commuter Tax	40
Establish a Progressive Commuter Tax	41
Restructure Personal Income Tax Rates to Create a More Progressive Tax	42
*Subject Variable Supplemental Fund Payments to New York City and State Income Taxes	43

### *Revising the Property and Related Taxes*

Raise Cap on Property Tax Assessment Increases	44
Tax Vacant Residential Property the Same as Commercial Property	45
Extend the Mortgage Recording Tax	46
Luxury Apartment Rental Tax	47

### *Eliminating or Reducing Tax Breaks*

Eliminate the Manhattan Resident Parking Tax Abatement	48
Eliminate Property Tax Exemption for Madison Square Garden	49
Revise Coop/Condo Property Tax Abatement Program	50
Secure Payments in Lieu of Taxes from Colleges and Universities	51
Extend the General Corporation Tax to Insurance Company Business Income	52
Eliminate the Cap on the Capital Tax Base in the General Corporation Tax	53

### *Broadening the Tax on Sales and Services*

Tax Laundering, Dry Cleaning, and Similar Services	54
Impose Sales Tax on Capital Improvements	55
Tax on Cosmetic Surgical and Nonsurgical Procedures	56
Restaurant Tax	57

### *Raising Fees and Fines*

Increase the Fine for Recycling Violations	58
Institute a Residential Permit Parking Program	59
Charge for Film and Television Permits	60
Convert Multiple Dwelling Registration Flat Fee to Per Unit Fee	61
Expansion of the Bottle Bill and Return of Unclaimed Deposits to Municipalities	62
Charge for Freon/CFC Recovery	63
Charge Fees for Assessment Appeals at the Tax Commission	64

\*denotes new option

*Fares, Tolls, and Other Revenue Generators*

Restore the Fare on the Staten Island Ferry	65
Charge a “Tourist” Fare on the Staten Island Ferry	66
Toll the East River and Harlem River Bridges	67

# Introduction

In good times and in bad, balancing the municipal budget is ultimately about trade offs. Choices must be made about how to allocate resources among competing budget priorities. There are also choices that must frequently be made among options for saving money or raising revenue.

These choices involve weighing the potential consequences of the savings or revenue raising measures being considered. Charging for Freon removal, a service now done for free by the sanitation department, could result in more illegal dumping; raising taxes on high-income earners could induce some of them to leave the city, negating all or part of the of the additional revenue expected.

Since IBO published the first edition of its annual *Budget Options for New York City* in 2002, the volume has served a dual purpose: One, it provides a quick review of the budgetary effects and legislative, negotiated, or other approvals required for implementing a host of savings and revenue measures. Two, it offers a synopsis of the positive and negative effects—the pros and cons—that may result from these actions.

Some of the spending and revenue options outlined here also may do more than save money or leverage additional dollars. Some of the measures provide policymakers and the public with alternatives that may lead to a more fair collection of revenue or more effectively using city funds. For example, raising the cap on property tax assessment increases for homes and small apartment buildings would reduce some of the inequities in the property tax system while merging some of the city's five pension systems would reduce administrative and management costs without affecting benefits.

A number of options presented in prior years have been adopted by the city such as the merger of the Department of Employment into the Department of Small Business Services, the redeployment of police officers who had been assigned to the Drug Abuse Resistance Education Program, the creation of a subsidiary insurance company for the Health and Hospitals Corporation, and shifting children from the child welfare system's congregate care facilities into family-based home care.

In this latest edition, we examine 63 options and make objective calculations of the anticipated savings or revenue from each of the measures. Nine of the options are new and some others are substantially revised. For the options that are repeated from last year, we provide updated fiscal calculations and in some cases additional policy considerations as well. And for all the options discussed, IBO presents a set of arguments for and against implementing the measures.

Many of the options included in this volume have been in the public domain for some time, raised by fiscal- or policy-oriented organizations such as the Citizens Budget Commission, Fiscal Policy Institute, and Manhattan Institute or by current or former public officials. Other options are here because we have been asked by elected officials, civic leaders, or advocates to estimate their cost-savings or revenue potential. There are also some options included here developed out of the knowledge and insight of IBO's own economists and budget analysts. Regardless of its source, each budget option underwent the same thorough and impartial analysis.

The options presented here are by no means exhaustive. In no way does the report's inclusion—or omission—of specific budget options reflect an assessment of their viability or desirability. Like the Congressional Budget Office, which develops a similar volume for the federal government, our role is to analyze, not endorse.

In subsequent volumes IBO intends to cover a broader range of options. We welcome your suggestions for inclusion in future budget options as well as comments on this new installment.

# *Savings Options*



# OPTION: Eliminate Public Funding of Transportation for Private School Students

---

Savings:  
\$45.7 million annually

NEW YORK STATE LAW requires that if city school districts provide transportation for non-disabled students the district must also provide equivalent transportation to private school students in like circumstances. Under Department of Education regulations, students in kindergarten through 2nd 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 (DOE) provides several different types of transportation benefits including yellow bus service, and full- and reduced-fare MetroCards.

In the 2006-2007 school year, 25 percent of general education students receiving full- or reduced-fare MetroCards attended private schools (nearly 123,000 children). In the same year, about 37 percent of general education students using yellow bus service attended private schools (approximately 30,080 children).

DOE spends over \$263 million on the MetroCard program and yellow bus services for general education students. The MetroCard program is financed by the state, the city, and the Metropolitan Transportation Authority (MTA)—the city and state contribution is \$45 million each while the MTA absorbs the remaining costs. Total expenditures in the 2007-2008 school year for yellow bus service are expected to be \$236 million, making the city's portion roughly \$92.3 million based on a 39 percent share of expenditures.

Elimination of the private school benefit, which would require a change in state law, could reduce city funding by roughly \$46 million—\$11 million for MetroCards (25 percent of the city's \$45 million expense) and \$34 million for yellow bus service (37 percent of the city share of yellow bus expenditures).

**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 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 transportation 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 a safety valve for 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 government services. Furthermore, opponents might argue that as public transportation becomes increasingly expensive in New York City all schoolchildren have an increased need for this benefit.

## OPTION: Eliminate Public Funding of Textbooks For Private School Students

---

Savings:  
\$9.4 million annually

NEW YORK STATE provides \$58.25 per student to each school district for the purchase of textbooks: \$15 of this amount is funded by the New York State Lottery and the remainder is funded from the state's general fund. The allocation to each district includes students attending public schools as well as non-public schools. Private schools submit requests to the district to purchase textbooks up to the per student allocation. The school district purchases the books and loans them for the school year. Only textbooks included on the approved state textbook list are eligible for state aid reimbursement. In fall 2007, it is estimated that 445,000 students attended non-public schools across New York State. More than half of these students are in New York City. Overall, the state spent almost \$26 million on textbooks for private school students.

Textbook aid is not funded with city dollars; therefore, eliminating non-public schools from the program would not result in direct savings to the city budget. However, if these funds were redirected to public school students throughout the state, the textbook allocation per pupil would rise by almost \$9.57 per student. New York City public schools would have over \$9.4 million in additional textbook funds. For the 2007-2008 school year, New York City is estimated to spend \$56.9 million on textbooks for public school students. Reallocating the non-public school portion of the state textbook benefit would increase the amount of state reimbursement, thus freeing up city funds.

**PROponents MIGHT ARGUE** that the state should be using all of its education funds for public schools and should not subsidize religious and independent schools. Proponents also claim that when education dollars are at a premium, it is difficult to justify the support of private schools, particularly well-funded independent schools. Given the high income of many families who send their children to independent schools, the additional cost of less than \$64 per student seems relatively minor for these schools and families.

**OPponents MIGHT ARGUE** that some private schools are subject to the same academic standards and testing requirements as public schools, and therefore the state has some obligation to support these schools' curriculum. They also might argue that parents of private school students support public schools through tax dollars and are therefore entitled to publicly funded services. Opponents could demonstrate that the majority of private school students in New York attend religious schools, many of which struggle financially, rather than independent schools. Families using religious schools also are not, on average, much wealthier than those in public schools. Opponents could also argue that higher private school costs might lead some families to switch to an already overcrowded public school system.

## OPTION: Reduce Operational Subsidy to Cultural Institutions Groups Receiving Subsidies of \$1 Million or More

---

Savings:  
\$21.4 million annually

THE 34 MEMBERS OF THE CULTURAL INSTITUTIONS GROUP (CIGs) mostly operate on land owned by the city. These institutions—ranging from the Metropolitan Museum of Art to the Brooklyn Museum—receive operating support for energy costs under their contracts with the city. Beyond the energy payments, which total \$41.9 million, the CIGs are scheduled to receive an additional \$80.1 million in operational subsidies for the coming fiscal year (2009). Beginning with the 2009 fiscal year, each CIG will initially receive only 90 percent of its budgeted allocation, with the balance contingent upon performance measures; the formula for the 90 percent baseline allocation is described below.

This option is a one-time adjustment that would reduce operational subsidies to some CIGs based upon the amount of money the institutions currently receive; the energy payments would remain unchanged. The option would divide the CIGs into three separate groups for operating subsidy reduction: the three CIGs that currently receive subsidies greater than \$8 million (Tier I) would have their subsidy reduced by 50 percent; the 10 CIGs that currently receive between \$1 million and \$8 million (Tier II) would get a reduction of 25 percent; finally, the remaining CIGs receiving under \$1 million (Tier III) would have no cuts in their funding.

The operational funding to the CIGs would decrease by a total of 27 percent, saving the city \$21.4 million. These reduced subsidies would then be maintained in subsequent years.

**PROPONENTS MIGHT ARGUE** that although few people advocate a reduction in cultural funding, with the city facing projected budget shortfalls in the coming years cuts will be unavoidable in many city-funded programs. This type of cut is more progressive than other proposals as it places the strain of the overall reduction in funding on the wealthiest CIGs while leaving the majority of the institutions with no decreases in funding. The wealthier Tier I and Tier II CIGs are more likely to have substantial fundraising capabilities and would be better able to withstand the overall reductions to their operational funding than the smaller CIGs and the cultural groups that are also funded by the city. Even with the 50 percent reduction, the Tier I CIGs would still receive an average of \$5.1 million each in discretionary funds.

**OPPONENTS MIGHT ARGUE** that given their size, Tier I and II institutions have large fixed costs and have historically depended on city support. Even if private donations eventually make up for the lost subsidy, this is unlikely to occur immediately, leaving some disruptions in programs, at least for the short term. They also tend to serve far larger populations than do the majority of the other CIGs and cultural program groups, so that measured on a per visitor basis there may be less difference between CIGs than when compared simply on size of subsidy. In addition, suggested admission prices are already high at many of these institutions, and might have to rise further to cover the subsidy reduction, deterring some potential visitors. Finally, many of the city's cultural institutions have been credited with drawing out-of-town visitors to New York. If services are cut or admission prices increased, tourism and its accompanying spending on restaurants, hotels, entertainment, and shopping could be curtailed.

# OPTION: Citywide “Vote-by-Mail”

---

**Savings:**  
**\$7 million annually**

ELECTION DAY POLL SITES NO LONGER EXIST IN THE STATE OF OREGON. Instead, all Oregonians registered to vote receive their ballots in the mail three weeks before each election and then have the option of returning their completed ballots either by regular mail or by personally dropping them off at specially designated collection sites or county election board offices. Voters in 37 of 39 counties within Washington State also now vote-by-mail, as do some 40 percent of Californians. This option proposes that New York City move towards discontinuing the operation of election poll sites across the city by adopting a similar vote-by-mail (VBM) system. Implementing this proposal would require amending New York State’s Constitution.

Securing permission to institute a VBM system in New York City would result in annual savings of about \$7 million, which would be attained largely from reduced personnel needs. There are roughly 4.2 million registered voters in the city. On average, \$15.6 million is spent annually by the city on about 30,000 per diem workers needed to staff elections at roughly 1,350 poll sites across the five boroughs. The city also spends each year about \$1.5 million to transport voting machines to and from the poll sites and roughly \$800,000 on police overtime. The initial investment in scanners and other equipment needed to implement a VBM system—which we estimate at about \$5.5 million—would most likely be eligible for federal funds under the Help America Vote Act. This would be significantly less costly than replacing the existing machines with eligible polling site-based options such as an optical scanner system (\$28.4 million) or a direct recording electronic system (\$75.5 million).

**PROPOSERS MIGHT ARGUE** that VBM systems present a number of advantages in addition to significant cost savings. As in Oregon, where voter participation has increased after statewide adoption of vote-by-mail in 1998, implementing a VBM system here could boost voter turnout.

The public would come to appreciate no longer being required to rush to poll sites, sometimes forced to deal with inclement weather and then often needing to wait on long lines to vote. Voters would also have more time to gather information on new ballot initiatives which heretofore they may have encountered for the first time upon entering a voting booth. Rigorous vote-by-mail security systems like those in place in Oregon would protect against the risk of fraud. Finally, voter watchdog groups would value the readily auditable “paper trail” of mail-in ballots.

**OPPOSERS MIGHT ARGUE** that poll sites are places of civic community and that the gathering of citizens at Election Day polling places is a venerable tradition that must be preserved. Opponents would also argue, notwithstanding claims to the contrary by officials in jurisdictions that have adopted VBM systems, that such a process would almost certainly increase the risk of fraud or abuse. For example, given the loss of the privacy enjoyed once one closes the curtain at a poll site, voters that have received their ballots in the mail could conceivably be either monetarily enticed or intimidated into filling out their ballots in a certain manner.

# OPTION:

## Replace Late-Night Service on the Staten Island Ferry with Buses

---

Savings:  
\$2.9 million annually

THIS OPTION WOULD ELIMINATE late-night service on the Staten Island Ferry. Service would end at midnight on weekdays, and 1 a.m. on weekends, and would resume at 5 a.m. In place of ferry service, buses would carry passengers between Manhattan and Staten Island terminals.

The Staten Island Ferry is operated by the city Department of Transportation (DOT). In July 1997 the passenger fare was eliminated, and since the attacks of September 2001 no vehicles have been allowed on the ferry.

Average daily ridership on the ferry is around 52,000 passengers. On a typical weekday only 2 percent to 3 percent of these passengers travel after midnight and before 5 a.m. On weekdays there are five trips that leave Staten Island and six trips that leave Manhattan between 12:01 a.m. and 4:59 a.m. Express bus service between Manhattan and Staten Island is very limited during these hours.

The smallest ferry boats operated by DOT have a capacity of 1,280 passengers, and require a crew of nine plus one attendant. This capacity is far beyond what is needed during late nights. DOT has been planning to contract out its late-night ferry service to private companies in order to take advantage of these companies' smaller boats. The city projects that this action would save \$1.2 million per year.

The operating expenses of the Staten Island ferry are roughly \$74 million per year. Late-night trips are around 11 percent of the total number of trips. Assuming that terminating late-night service would reduce operating expenses by 7 percent, the annual savings would be slightly under \$5.2 million. Based on Federal Transit Administration data for express bus service in New York City, the operating expense of a bus trip between Manhattan and Staten Island would be around \$230 per trip. The annual cost of providing bus service every 20 minutes to 30 minutes between midnight and 5:00 a.m. would be just over \$2.2 million, giving a net savings of \$2.9 million. We assume the buses would not charge a fare, as they would replace a fare-free service.

**PROPOSERS MIGHT ARGUE** that due to the low number of riders on the Staten Island Ferry during the late night period, even small ferry boats are an inefficient use of resources. Using buses instead of ferries to transport passengers would allow for more frequent service at a lower cost. With time, bus service could potentially be extended to serve the neighborhoods of Staten Island directly, and not just the St. George Terminal.

**OPPOSERS MIGHT ARGUE** that using buses instead of ferries will mean a longer, less comfortable ride for passengers, as well as potentially longer waits if buses are full. In addition, shutting down the ferry late at night might be seen as a precedent for other reductions in transit service. Finally, allowing bus passengers to wait inside the ferry terminals would reduce the cost savings and delay the boarding process, but forcing passengers to wait outside raises safety and comfort concerns.

# OPTION: Consolidate Senior Centers

---

Savings:  
\$1.9 million annually

THE DEPARTMENT FOR THE AGING OVERSEES 323 senior centers, places for seniors to congregate and obtain services. Senior centers provide a broad range of services, including breakfasts and lunches, recreational activities, and information sessions about benefits and services available to seniors. Senior center utilization rates are declining, however. According to the Mayor's Management Report, the percentage of senior centers operating at 90 percent of program capacity declined to 56 percent in 2007 from 58 percent in 2006.<sup>1</sup> The average number of senior center lunches served daily—a statistic that determines citywide center utilization rates—decreased by 2.8 percent from 28,856 in 2003 to 28,038 in 2007. This budget option calls for the elimination of five senior centers operating below 60 percent of congregate lunch capacity (based on agency planned and actual utilization rates for 2007) for an annual savings of \$1.9 million.

**PROPOSERS MIGHT ARGUE** that the needs of the city's elderly population are changing. According to the 2000 census the city's elderly, frail population aged 85 and over grew by nearly 20 percent over the last decade. Between fiscal years 2000 and 2007 the average number of home-delivered meals served per day grew by 6.7 percent. These data suggest that the need for center-based or congregate services may be waning and that in the upcoming years more home-based services may be required. Further, seniors who are displaced due to this proposal and who require critical services such as meals and case management and assistance can travel to or contact other centers in their neighborhood to access these services.

**OPPOSERS MIGHT ARGUE** that seniors may not be able or willing to travel a few extra blocks to a different center. Seniors also may have developed strong emotional ties to their neighborhood center and program staff. Individual centers have made an effort to develop programs and services that cater to specific cultural/ethnic groups. Therefore, if seniors are displaced from one center they may be reluctant to participate in congregate services at a different center, even if it is relatively close by. As a result, some seniors who had previously benefited from the socialization opportunities provided at senior centers may no longer do so.

<sup>1</sup>Starting in the September 2007 Mayor's Management Report, DFTA began calculating congregate lunch utilization by program site instead of by contracts. This new formula does not allow us to compare 2006 or 2007 to any previous years.

## OPTION: Eviction Insurance Pilot Program

---

Savings:  
\$679,000 annually and up

BEGINNING AS A PILOT PROGRAM, the city would offer “eviction insurance” to households that are potentially at risk of homelessness. Participating households would pay a small monthly premium, and if faced with eviction, would receive funds to pay for back rent or legal fees. Since some of the households that would have been evicted in the absence of the program would have become homeless, by preventing the eviction, the city will save on emergency shelter expenditures.

IBO has assumed that the pilot program would include 1,000 households. At this size, the monthly premium would be \$16.22, which would make the program fully self-sustaining, including the salary of one full-time staff person to administer it. In addition, the city would generate savings from avoided emergency shelter costs. As the program is expanded, the monthly premium for individual households will fall, and the total savings to the city will rise. For example, if the program grew to 10,000 households, the monthly premium would be \$13.59, and annual savings to the city in avoided shelter costs would be \$6.8 million.

PROponents MIGHT ARGUE that preventing homelessness is both less expensive and more humane than emergency shelter. Eviction insurance would be essentially self-supporting, so any reduction in shelter use represents a net gain for the city. An eviction insurance program would complement the existing system of emergency grants and loans that the city offers, but would be more consistent with the ethic of personal responsibility that underlies current welfare policy. (These grant and loan programs could be more narrowly targeted in order to promote participation in an insurance program.) Landlords might be more willing to rent to low-income households with eviction insurance, because it reduces their risk—both real and perceived. The city could require six months or more of premium payments before households would be eligible for insurance coverage, to prevent last-minute enrollments by those facing imminent eviction.

OPponents MIGHT ARGUE that low-income households do not have the resources to pay even a modest premium. Particularly given that the city already offers grants and loans to prevent homelessness, it is not clear that there would be enough households willing and able to participate in an eviction insurance program to make it feasible. The existence of insurance protection could create a “moral hazard”—that is, by providing a safety net, it could undermine the normal incentive to pay rent. Moreover, if only those households facing imminent eviction take advantage of the program, the costs are likely to greatly outweigh the premium payments unless the latter are prohibitively high. Finally, it is not clear that eviction is a good predictor of future homelessness. If few of the participating households would have become homeless, savings will be limited.

# OPTION: Eliminate Outreach Services to the Homeless

---

Savings:  
\$17.5 million

THE DEPARTMENT OF HOMELESS SERVICES (DHS) CONDUCTS OUTREACH to help bring homeless individuals living on the streets, in parks, or in other public places into the shelter system and permanent housing. In fiscal year 2007, DHS spent about \$26.1 million on outreach activities, and made a total of 85,459 contacts. About 5 percent of these contacts resulted in placements in shelter.

If DHS eliminated the outreach program, it would save about \$17.5 million in city funds. The rest of the funding for the outreach program comes from the state and federal governments, and therefore would not help to close any potential city budget gaps.

**PROPOSERS MIGHT ARGUE** that the outreach services have a relatively low success rate. Only 5 percent of contacts result in a placement into temporary housing. It may be that these resources can be used more efficiently elsewhere. Unlike most of DHS's programs, the agency is not required to provide outreach services. This is one of the few DHS program areas that can be eliminated at the city's discretion.

**OPPOSERS MIGHT ARGUE** that the individuals served through outreach programs are both those most in need of assistance, and the most likely to contribute to quality-of-life problems such as aggressive panhandling. Therefore it is in the interests of both the individuals and the city as a whole to bring these people into the shelter system. In addition, outreach can benefit homeless people even if a shelter placement is not made; for example, an outreach worker can spot medical or other emergencies and help people access health care, food, and other services.

Finally, in June of 2004 Mayor Bloomberg introduced an ambitious plan to end chronic homelessness in New York City, which calls for reconfiguring and expanding outreach services. The DHS Homeless Outreach Population Estimate for 2007 projected that there were 3,755 people living on the streets of Manhattan, Brooklyn, and Staten Island, and in the subway system. The city hopes that by improving outreach services, it will be able to reduce street homelessness to fewer than 1,000 individuals by the fifth year of plan's implementation. Although reconfiguring and expanding outreach are only part of the overall effort to reduce the number of street homeless people, eliminating outreach services could make it harder to reach this goal.



## OPTION: Eliminate Grass Clippings from Trash Collection

---

Savings:  
\$9.0 million annually

CURRENTLY, THE DEPARTMENT OF SANITATION (DSNY) collects bagged grass clippings from residential yards around the city. Grass clippings are not included in the citywide composting program because they cannot be composted on such a large scale. Potential odor problems associated with this material would affect communities near the compost sites. Instead, they join the regular stream of refuse exported from the city.

Grass clippings represent about 81 percent of the 136,000 tons of yard waste the city collects every year but cannot recycle. To reduce this portion of refuse tonnage, DSNY has encouraged residents and institutions not to bag grass clippings and place them out for collection. Instead, residents are urged to let grass clippings decompose naturally on their lawns. DSNY has published a brochure to encourage such practice entitled, “Leave it on the Lawn: A guide to mulch-mowing.”

If the city eliminates grass clipping collection entirely, \$9.0 million would be saved annually. This represents the export cost of about 110,500 tons of garbage (based on refuse stream), multiplied by the weighted average of the five boroughs’ export contract costs with commercial haulers.

**PROponents MIGHT ARGUE** that eliminating the collection of grass clippings from residences would significantly decrease export tonnages of New York City garbage. Export currently costs the city approximately \$82 per ton of trash. In addition, grass clippings provide natural fertilizer for lawns. This decreases pollutants in our wastewater stream, as well as providing cost savings to residents.

**OPponents MIGHT ARGUE** that grass clippings left on lawns are a nuisance to residents, and can damage lawns. Using mulching mowers is ideal to grind the clippings down to the appropriate size for fertilizing. These mowers, however, would represent an added cost to residents and only a small segment of the city’s residents would bear the burden of this citywide savings.

## OPTION: Increase Public School General Education Class Sizes by Two Students

---

Savings:  
\$177 million annually

UNDER THIS OPTION, the general education average class sizes in each grade would be increased by two students, which would produce savings by reducing teacher headcount. Based on current enrollments a two student increase in class size in the early grades would eliminate 811 teaching positions; with an additional reduction of 389 positions in grades 4 through 6. In the middle schools, after accounting for Title I status where appropriate, larger classes would result in a reduction of 510 more positions while in the high schools the change would mean the reduction of 512 positions. The aggregate total staff reduction equals 2,222 teachers. This reduction yields a combined estimated annual savings of \$177.3 million, based on current salaries and benefits.

Under collective bargaining agreements, the Department of Education (DOE) cannot raise class sizes in grades K-3 beyond 25 students per class. Previous Chancellor's regulations had set even lower goals in these early grades, as well as targeting middle school class sizes for reduction. Additionally now for the first time the department has a "contract for excellence" with the state which supersedes both prior labor agreements and Chancellor's restrictions. Under the contract, average class sizes must be reduced in all grades over the next five years with priority given to the lowest performing schools. The penalty for not making progress with class size reduction plans could result in less state aid because the basic grant which now includes the revenue stream dedicated for early grade class size reduction. All of these regulations would need to be altered if this option were to be implemented.

The DOE expects to receive over \$168 million in state funds plus \$15 million in federal funds under a state initiative plus another \$95 million from a 100 percent federally funded initiative to reduce class size in grades K-3 in fiscal 2008. Positions funded with these state and federal funds would not be eliminated under this proposal.

**PROponents MIGHT ARGUE** that the research on the benefits of smaller classes, particularly in the upper grades, is not conclusive, and that the marginal difference of increasing class sizes by two students is likely to have a minimal impact on academic outcomes. Proponents could claim that scaling back the size of the teaching force would make it easier for DOE to recruit well trained and properly certified pedagogues. Smaller class sizes can also require a substantial capital investment which competes with other facility needs of the system.

**OPponents MIGHT ARGUE** that class sizes in New York City are already among the highest in the state and that making them any larger would be counterproductive. Opponents may also point out that the city, state, and federal governments have made large efforts and spent hundreds of millions of dollars to reduce class size in recent years and this proposal would essentially waste these efforts. Opponents could cite academic research linking smaller class sizes to stronger student performance, particularly in the early grades. They also cite the desire of parents to have their children receive individualized attention. Finally, they could point to the potential that a heavier teaching load could drive qualified teachers out of the system.

# OPTION: Pay-As-You-Throw

---

Savings:  
\$296 million annually

UNDER A SO-CALLED “PAY-AS-YOU-THROW” (PAYT) program, households would be charged for waste disposal based on the amount of waste they throw away—in much the same way that they are charged for water, electricity, and other utilities. The city would continue to bear the cost of collection, recycling, and other sanitation department (DSNY) services funded by city taxes.

PAYT programs are currently in place in cities such as San Francisco and Seattle, as well as more than 6,000 communities across the country. PAYT programs, also called unit-based or variable-rate pricing, provide a direct economic incentive for residents to reduce waste: If a household throws away less, it pays less. Experience in other parts of the country suggests that PAYT programs may achieve reductions of 14 percent to 27 percent in the amount of waste put out for collection. There are a variety of different forms of PAYT programs using bags, tags, or cans in order to measure the amount of waste put out by a resident. Residents purchase either specially embossed bags or stickers to put on bags or containers put out for collection.

Based on IBO projections of waste disposal costs and DSNY projections of volume and recycling diversion rates, each residential unit would pay an average of \$91 a year for waste disposal in order to cover the cost of waste export, achieving a net savings of \$296 million. A 14 percent reduction in waste would bring the average cost per household down to \$78 and a 20 percent reduction would further lower the average cost to \$73 per residential unit

**PROponents MIGHT ARGUE** that by making the end-user more cost-conscious the amount of waste requiring disposal will decrease, and in all likelihood the amount of material recycled would increase. They also point to the city’s implementation of metered billing for water and sewer services as evidence that such a program could be successfully implemented. To ease the cost burden on lower-income residents, about 10 percent of cities with PAYT programs have also implemented subsidy programs, which partially defray the cost while keeping some incentive to reduce waste. Proponents also suggest that starting implementation with Class 1 residential properties (one-, two-, and three-family homes) could help equalize the disparate tax rates between Class 1 and Class 2 residential buildings while achieving savings of \$104 million. They also might argue that illegal dumping in other localities with PAYT programs has mostly been commercial, not residential, and that any needed increase in enforcement would pay for itself through the savings achieved.

**OPponents MIGHT ARGUE** that pay-as-you-throw is inequitable, creating a system that would shift more of the cost burden toward low-income residents. Many also wonder about the feasibility of implementing PAYT in New York City. Roughly two-thirds of New York City residents live in multifamily buildings with more than three units. In such buildings, waste is more commonly collected in communal bins, which could make it more difficult to administer a PAYT system, as well as lessen the incentive for waste reduction. Increased illegal dumping is another concern, which might require increases in enforcement, offsetting some of the savings.

# OPTION: Collect Debt Service on Supportive Housing Loans

---

## Savings:

\$1.8 million in 2009, \$3.5 million in 2010,  
\$5.3 million in 2011, \$7.1 million in 2012

THE DEPARTMENT OF HOUSING PRESERVATION AND DEVELOPMENT (HPD) makes loans to nonprofit developers building supportive housing for homeless and low-income single adults through the Supportive Housing Loan Program. Borrowers are charged 1 percent interest on the funds, but as long as the housing is occupied by the target population, HPD does not collect debt service—either principal or interest—in effect making the loan a grant.

Collecting both principal and interest on new loans, which have averaged \$45.6 million per year over the last five years, would yield \$1.8 million in revenue in the first year, and grow as the total volume of outstanding loans grows. We assume the loans are made for a 30-year term. Collecting only the interest, while forgiving the principal, would yield less revenue, beginning with about \$456,000 in the first year, growing to \$1.7 million per year by 2012. Collecting only the principal would generate \$1.5 million in 2009 rising to \$6.1 million by 2012.

**PROPOSERS MIGHT ARGUE** that the Supportive Housing Loan Program is the only HPD loan program in which debt service is not collected. Recouping these loan funds would allow HPD to stretch its available funds to support more housing development. Because the interest rate is very low, the supportive loan program would still provide a significant subsidy to the nonprofit developers, particularly if only the interest was collected.

**OPPONENTS MIGHT ARGUE** that because the loan program projects serve extremely low-income clients, developers simply do not have the rent rolls necessary to support debt service. The nonprofit developers would be unable to support loan repayments, even on very low-interest loans. Significantly less housing would be built for a particularly vulnerable population. The result would be more people living on the streets or in the city's costly emergency shelter system. They might argue that even a deep subsidy for permanent housing is more cost-effective—and humane—than relying on the shelter system.

## OPTION:

# Establish Copayments for the Early Intervention Program

---

Savings:  
\$8 million annually

THE EARLY INTERVENTION PROGRAM (EI) provides developmentally disabled children up to the age of 3 with services through nonprofit agencies that contract with the Department of Health and Mental Hygiene (DOHMH). Eligibility does not depend on family income. Due primarily to rising enrollment, the costs of the program grew rapidly in the early part of this decade, and by 2004 accounted for over one-third of the total DOHMH budget. Enrollment has since stabilized and costs have declined somewhat so that the \$450 million program now accounts for just over 25 percent of the DOHMH budget.

Early intervention is funded from a mix of private and public sources. For children with private health insurance, payment from the insurer is sought first, but relatively few such claims are paid; only \$3.8 million came from private insurance in 2007. Medicaid and Child Health Plus pay the full cost for children enrolled in those programs, with \$250 million coming from those sources in 2007. Since the Medicaid cap was instituted in 2005, the city does not bear any share of these costs, which are instead divided between the state and federal governments. The remaining costs are split between the city and the state, historically a 50-50 split. But in recent years the state has paid a larger share. As a result, the net cost of EI to the city has declined from well over \$100 million in 2004 to \$66 million in 2007.

Under this option, the city would seek to further reduce these costs by requiring a 20 percent copayment for services to families that have private health insurance and incomes above 200 percent of the Federal Poverty Level. In addition to raising revenue directly from the estimated 21 percent of EI families that fall into this category, it could also increase payments from private insurers by giving participants an incentive to provide DOHMH with insurance information and assist the agency in challenging rejected claims. Establishing a copayment must be approved by the state Legislature; the state would realize somewhat greater savings, an estimated \$11.8 million in New York City alone.

**PROponents MIGHT ARGUE** that establishing copayments could alleviate some of the strain the EI program places on the city budget without reducing the level of service provision. In particular, they might note that since the current structure gives participating families no incentive to provide insurance information to the city, public funds are paying for EI services for many children with private health coverage. The institution of copayments would provide these families with the incentive to seek payments from their insurers for EI services. Proponents might also note that the EI program claims a disproportionate share of DOHMH resources for a relatively small population. Finally, if a statewide copayment for EI services were enacted, it would generate savings not only for the city, but for the state and other local governments as well.

**OPponents MIGHT ARGUE** that the institution of a 20 percent copayment for EI services could lead to interruptions in service provision for children of families that, to reduce their out-of-pocket expenses, opt to move their children to less expensive service providers or out of EI altogether. Opponents might also argue that the creation of a copayment may be more expensive for the city in the long run, as children who do not receive EI services could require more costly services later in life. Finally, opponents might note that enrollment and costs in the program have been stable since 2004, suggesting that additional cost-savings measures are not urgent here and that the city should not be creating any new barriers to enrollment.

# OPTION: Reduce FDNY Engine Company Staffing

---

Savings:  
\$35.8 million annually

THE NEW YORK CITY FIRE DEPARTMENT'S (FDNY) current contract with the firefighters union specifies that the majority (150) of the agency's 210 engine companies are to be staffed with four firefighters and a fire officer. Eleven other engine companies are at all times staffed with five firefighters and an officer.

The remaining 49 engine companies are staffed with five firefighters and an officer as long as the citywide sick leave rate for firefighters remains at or below 7.5 percent, as is presently the case. In the event the sick leave rate rises above 7.5 percent, the city is contractually entitled to reduce the staffing level of these 49 engine companies to four firefighters and an officer.

This option calls for a collectively bargained severance of the link between firefighter sick leave rates and mandated staffing on these 49 engine companies, thereby removing the fifth firefighter post from each unit and generating annual savings of about \$35.8 million. Some portion of these productivity savings could be shared with firefighters in the form of salary increases, although doing so would reduce the net savings to the city.

**PROponents MIGHT ARGUE** that the fire department's willingness to staff the 49 engine companies at issue with four firefighters rather than five when the sick leave rate rises above 7.5 percent suggests that doing so is not inconsistent with the agency's goals of protecting public and firefighter safety. They might also argue that firefighters should refrain from abusing their unlimited sick leave privileges without the need for an incentive system encouraging them to do so.

**OPponents MIGHT ARGUE** that the additional response capability associated with five as opposed to four firefighters on engine companies significantly enhances not only the safety of firefighters but also their ability to respond effectively to emergency situations. They might further contend, particularly in an era in which the city continues to face the threat of another terrorist attack, that all 210 of the FDNY's engine companies should under all circumstances be staffed with five rather than four firefighters.

## OPTION: Make Parent Coordinators Part Time in Schools With Fewer Than 500 Students

---

Savings:  
\$13.9 million annually

IN THE 2003-2004 SCHOOL YEAR, as part of the New York City Department of Education's Children First reforms, each school was provided funding for a parent coordinator position. Half of the funding for these positions was provided from city tax-levy dollars and half from reimbursable funds. The position was created to foster engagement with parents and to provide parents with tools to better participate in their children's education. The coordinators were to help facilitate two-way communication with parents at each school and work to resolve issues and concerns raised by parents.

In the first year of the program, approximately, 1,270 positions were budgeted at an annual salary of \$34,000 plus fringe benefits. The total cost for the new positions was almost \$50 million. For the 2007-2008 school year, approximately 1,423 positions are budgeted at a citywide average salary of \$38,138 along with an additional \$500 OTPS (other than personal services) allocation, for a total cost of \$54.9 million. The positions are now fully funded with tax-levy dollars. Currently, roughly 721 schools with Full-time parent coordinators have enrollments of less than 500 students. Conversion of these positions to half-time positions would save approximately \$13.9 million.

**PROPOSERS MIGHT ARGUE** that the lack of specific responsibilities with measurable outcomes for these positions raises questions about the use of the funds. Proponents can also suggest that limited school resources are best used for direct services to students and that these positions should be funded from a source other than tax levy dollars given that these jobs are not integral to operating a school. Other proponents might argue that schools in which parent involvement is already strong do not need an additional full-time, paid position to encourage participation of parents. The public school system has other resources to support the parent involvement piece of Children First reform including parent/teacher associations, school leadership teams, 32 community education councils, and district family advocates under the Office of Family Engagement and Advocacy.

**OPPOSERS MIGHT ARGUE** that research indicates there is a positive relationship between parental involvement and academic outcomes and that having a full-time parent coordinator in every school helps to strengthen the parents' role. Opponents may also argue that reducing the position to half-time based on enrollment is arbitrary and a better approach would be to at least target Title I schools to maintain parent coordinators, since they are already required to spend 1 percent of their Title I allocation on parent involvement.

## OPTION: Perform All Housing Code Inspections with One Inspector

---

Savings:  
\$4.0 million annually

THE DEPARTMENT OF HOUSING PRESERVATION AND DEVELOPMENT inspects apartments in multifamily buildings in response to complaints about violations of the Housing Maintenance Code. In fiscal year 2007, the agency completed over 516,000 non-lead inspections; inspections regarding lead complaints are always done with two-person teams because it is more data intensive than other inspections. Roughly 40 percent of these inspections were done by two-person teams of inspectors. The housing agency could send individual inspectors—rather than teams—to respond to non-lead complaints. Inspecting an apartment will presumably take more time if there is only one inspector. Assuming that each inspection takes one-and-a-half times as long as it currently does, the agency would need 67 fewer inspectors to handle its current workload, for a savings of \$4.0 million annually. Even if each inspection took twice as long with only one inspector, the housing department would still need 40 fewer inspectors and would save \$2.4 million annually.

PROPOSERS MIGHT ARGUE that sending individual inspectors to respond to housing complaints represents a classic example of “doing more with less.” The housing department would be able to inspect the same number of apartments each year, while reducing spending. The bulk of the savings comes from reducing the amount of time spent traveling between inspection sites. While travel is an unavoidable cost of the inspection process, it is essentially “down time” that adds nothing to the inspection quality. Reducing travel time is a straight efficiency gain.

OPPOSERS MIGHT ARGUE THAT the quality of inspections could fall without two independent observers. A single inspector might be more likely to miss a violation that would be noticed by a team of two inspectors. Also, the department uses two-person inspection teams to train new housing inspectors. Two-person teams are also utilized for safety because some teams are conducting inspections late in the evening. In the short run, the housing agency’s ability to deploy single inspectors could be limited by the number of vehicles available for inspectors’ use, or the city would have to purchase vehicles, which would reduce savings in the first years. Switching from two-person inspection teams to single inspectors would likely require union cooperation. Finally, many opponents would argue that any efficiency gains should be directed to doing more inspections, rather than reducing spending.



# OPTION: Alter Staffing Pattern In EMS Advanced Life Support Ambulances

---

Savings:  
\$4.2 million annually

THE FIRE DEPARTMENT'S OPERATION OF THE CITY'S EMERGENCY MEDICAL SYSTEM (EMS) currently includes the staffing each day of about 150 Advanced Life Support (ALS) along with some 400 Basic Life Support (BLS) ambulance tours. The latter are staffed with two emergency medical technicians (EMTs); in contrast two higher-skilled and more highly-paid paramedics are deployed in ALS ambulance units. This option proposes staffing ALS units operated by the fire department with one paramedic and one EMT as opposed to two paramedics.

Citing an inability to meet its goals for ALS response time and a critical shortage of paramedics both locally and throughout the nation, the fire department in January 2005 petitioned the New York City Regional Emergency Medical Advisory Committee (REMAC) for permission to staff ALS ambulance units with one paramedic and one EMT as opposed to two paramedics. Each area of the state falls under the jurisdiction of one of 14 such committees, with the primary purpose of each REMAC being to allow for local medical direction and guidance in the development of regional EMS systems. The New York City REMAC is the only such committee in the state that requires ALS ambulance units answering 911 calls within its jurisdiction to be staffed with two paramedics. In its January 2005 request to the local REMAC, the fire department argued that "throughout the country there is no set staffing level of ambulances," and that "there is no published data that shows improved clinical effectiveness by ALS ambulances that are staffed with two paramedics." Furthermore, the fire department pledged that ALS units staffed with one paramedic and one EMT would, when necessary, receive support in the field from other ALS units. The agency also stated its commitment to perform a "quality assurance review" during implementation of its proposal so as to ensure that quality of care is maintained.

In response to the fire department's request concerning ALS staffing, the local REMAC essentially concluded that the agency would need to provide further evidence supporting the contention that ALS ambulance units in New York City could be safely staffed by fewer than two paramedics.

**PROPONENTS MIGHT ARGUE** as did the fire department in 2005, that the agency's ability to meet its internal performance objectives related to ALS response time and other capabilities necessitates the deployment of additional ALS ambulance units each day throughout the five boroughs. Under existing staffing protocols this would obviously require hiring more paramedics, which the agency has argued is exceedingly difficult given the shortage of paramedics in the labor market. Also, New York City is the only place in the state where ALS units are required to be staffed with two paramedics.

**OPPONENTS MIGHT ARGUE** that the city should not risk the diminished medical expertise that could result from the removal of one of the two paramedics currently assigned to each ALS unit. A more appropriate solution to the city's desire to deploy more ALS units would be an increase in pay for paramedics, thereby improving our ability to recruit and retain emergency medical personnel.

# OPTION:

## Increase the Workweek for Municipal Employees to 40 Hours

---

### Savings:

\$146.2 million in 2009; \$298.2 million in 2010;  
and \$455.5 million in 2011

THIS PROPOSAL WOULD INCREASE the workweek for civilian, non-uniformed, nonpedagogical workers from 35 hours and 37.5 hours to 40 hours. With the exception of the uniformed members of the police, fire, correction, and sanitation departments, the pedagogical staff of the City University of New York and the Department of Education, and certain Section 220 craft workers, most city employees work a 35-hour week. There are a few employees, primarily at the fire department and at the probation department, that have a workweek of 37.5 hours. With city employees working a longer workweek, agencies could perform the same tasks with fewer workers, saving wage, benefit, and eventually other nonlabor costs.

Because no layoffs would be involved with this proposal, savings would be achieved over time through attrition. In theory, if employees currently working a 35-hour workweek were to work a 40-hour workweek, the city would require 12.5 percent fewer workers. Similarly, if employees currently working a 37.5-hour workweek were to work a 40-hour workweek, 6.25 percent fewer workers would be needed.

IBO estimates that approximately 7,000 positions would be eliminated if this proposal were to be implemented—approximately 10 percent of all non-managerial civilian employees working less than 40 hours a week. As a result, the city could save \$438 million annually in wage and benefit costs (excluding state and federal grant-funded positions). Given the 10 percent annual attrition rate for city workers, it is reasonable to assume that this number of positions could be eliminated over three fiscal years.

Implementing this proposal requires collective bargaining.

**PROponents MIGHT ARGUE** that the city is unusual in having a 35-hour workweek for most of its employees, and most full-time private-sector employees in the New York area work 40 or more hours per week. The federal government, along with many state and municipal governments, also has a 40-hour workweek for its employees.

**OPponents MIGHT ARGUE** that city workers earn substantially less than comparable workers in the private sector and are compensated accordingly by having a shorter workweek. Opponents may also argue that requiring city workers to work a total of 40 hours per week without a commensurate increase in salary would be unduly burdensome to workers, who would be suffering effectively a 12.5 percent pay cut (in the case of those working 35 hours per week) or a 6.25 percent pay cut (in the case of those working 37.5 hours per week). Finally, opponents also might argue that the city will not be able to achieve the 10 percent in productivity savings with the increased workweek, and that the anticipated savings are overly optimistic.

## OPTION:

# Allow Police Officers to Work Fewer but Longer Tours While Also Eliminating 20 Minutes of Paid “Wash Up” Time

---

Savings:  
\$55.2 million annually

POLICE OFFICERS ARE CURRENTLY SCHEDULED to work a total of 243 tours each year before vacation, personal leave, and other excused absences are subtracted. Each tour lasts 8 hours and 35 minutes, with the last 35 minutes considered “wash up” time. This budget option proposes allowing police officers to be scheduled for fewer but longer tours—specifically, 170 tours per year of 12 hours and 15 minutes. The annual number of hours scheduled would remain constant but 20 minutes of wash-up time at the end of each tour would be eliminated. Such an alteration in police officers’ schedules would need to be attained via collective bargaining.

The reduction of 20 minutes at the conclusion of each tour constitutes a reduction in paid “wash up” time, the period reserved for debriefing activities as well as for “washing up” and changing clothes before heading home. Given the increase in tour length and decrease in scheduled tours, police officers would also need to agree to fewer scheduled vacation days each year, although the total number of hours of vacation time would not be altered.

The desirability of this option in the eyes of police officers is based on an assumption that being required to report to work significantly fewer times each year would outweigh the increase in the length of each tour. Budgetary savings for the police department would result in large part from the 20 minute decrease in paid “wash up” time at the conclusion of each tour. Exercising this option, which would need to be approved through collective bargaining, would allow the police department to maintain the same daily police coverage with about 450 fewer officers, generating annual savings of about \$55.2 million.

**PROponents MIGHT ARGUE** that the extra 20 minutes of wash-up time currently allotted at the end of each tour is more than is needed. They would also note that past attempts to contractually entice police officers into a reduction of “wash up” have failed, so a different approach is required. Offering the opportunity to work fewer but longer tours could well be such an approach; given that many officers live a considerable distance from the city and the precincts in which they work, some may welcome a scenario in which they would need to travel less often to and from their assigned commands. Proponents might also add that neighboring Nassau County has adopted 12-hour tours of duty for their police officers.

**OPponents MIGHT ARGUE** that the current allotment of 20 minutes at the end of each tour for debriefing and changing clothes is legitimate. Others might also argue that given the stress inherent in policing, a 12-hour shift is simply too long. The end result would be a decline in police officer performance as well as safety. Also, having three tours per day as opposed to only two increases the agency’s ability to respond to large-scale emergencies because reinforcement personnel under the current three-tour per day scenario would be due to arrive for duty sooner than would be the case with two 12-hour shifts.

## OPTION: Encourage Classroom Teachers To Serve Jury Duty During Noninstructional Summer Months

---

Savings:  
\$3 million annually

UNDER THIS OPTION TEACHERS, who are not expected to teach summer school, would be encouraged to defer jury duty service until the summer when regular school is not in session. Use of per diem substitutes would decline, which would produce savings by lowering the absence coverage budget. The anticipated absence coverage budget is reduced by the number of jury duty days served multiplied by the number of teachers called into jury service during any given school year. We assume an average length of jury duty service of three days per teacher. The substitute teacher savings equal \$443 per teacher. If 10 percent of the teaching force were called for service but deferred to the summer, this reduction yields a combined estimated annual savings of slightly over \$3 million, based on current occasional per diem rates for teachers as of September 13, 2007.

Over the course of one year 600,000 people serve jury duty in New York. On any given day, civil and criminal courts in Manhattan alone require anywhere between 1,800 to 2,000 jurors. In the Department of Education, time away on jury duty has special classification as a nonattendance day although it's an excusable absence. The education department is required to cover every teacher absence with an appropriate substitute. Under current statutory law any person who is summoned to serve as a juror has the right to be absent. Under current collective bargaining agreements, teachers who are required to serve jury duty receive full salary during the period of such service, and are required to remit an amount equal to the compensation paid to them for such jury duty. If service is performed over the summer, jury duty checks may be kept if employees are not working.

**PROPOSERS MIGHT ARGUE** that above and beyond financial savings, the best benefit is for the school children who would no longer lose three days of instruction while the classroom teacher is at the court house. The department's own substitute teacher handbook points out that, especially for short-term substitutes, time will be spent on establishing authority otherwise known as classroom management as opposed to actual instruction. Additionally, many schools have difficulty in getting substitute teachers to come in. Jury duty absences may place avoidable stress on school administrators and other school-based staff as they attempt to work out coverage issues.

**OPPOSERS MIGHT ARGUE** that teachers need to be able to fully relax and recharge during the summer "off" months. Deferral of jury duty might otherwise hinder well laid out family vacation plans. Opponents could also argue that the policy would unfairly play one form of civil service against another, encouraging others to defer. Given the size of the education department's teaching force, it is also possible that deferral of all teacher jury service to the summer could result in concentrations of teachers in the jury pools over the summer.

# OPTION:

## Consolidate the Administration of Supplemental Benefit And Welfare Benefit Funds for City Employees

---

Savings:  
\$13 million annually

SINCE 1971, NEW YORK CITY HAS PROVIDED FUNDS to the various unions representing city employees to supplement their health benefits. These benefit funds are administered by the unions and offer members a range of benefits not covered by the general health insurance plans, including dental and vision coverage. Consolidating 74 of these supplemental health and welfare benefit funds currently receiving city contributions into a single fund serving these affected employees would yield savings by eliminating duplication and giving the enhanced fund greater pricing power when contracting to provide benefits to its members. While the specific benefits package offered to some members may change based on this greater contracting power, it is expected that, on the whole, benefit levels after consolidation will remain unchanged.

In 2004, the last year for which data is available, the Comptroller estimated that the city contributed approximately \$813 million to 74 supplemental benefit funds, of which more than \$70 million, or 8.7 percent of the total city contribution, was used to cover administrative expenses. Because the supplemental benefit funds are managed by each individual union, the administrative expenses per employee vary greatly by benefit fund. Administrative costs of these various welfare plans ranged from \$22 per benefit fund member to \$403 per member in 2004, with the average being a little more than \$122 per member.

District Council 37's benefit fund, which has one of the largest number of members, spent approximately \$100 per member on administration in 2004. If the consolidated benefits fund had District Council 37's administrative cost per member, the city could save almost \$13 million annually, without reducing the level of city contributions for benefit services. Enacting such a consolidation would, however, require the approval of the unions through collective bargaining negotiations.

**PROponents MIGHT ARGUE** that consolidating the administration of the supplemental benefit funds would produce savings for the city without reducing benefit levels or other city services. They could also contend that a centralized staff dedicated solely to benefit administration could improve the quality of service provided to those members whose funds do not currently employ full-time benefit administrators.

**OPponents MIGHT ARGUE** that because the type of supplemental benefits offered to members is determined separately by each fund, members could be worse off if the benefit package changes as a result of consolidation. In addition, opponents may assert that individual unions are the most knowledgeable about the specific needs of their members and that a consolidated fund administrator may not be as responsive to these needs as a union administrator.

# OPTION: Bonus Pay to Reduce Sick Leave Usage Among Correction Officers

---

Savings:  
\$4.7 million annually

AT PRESENT, UNIFORMED POLICE, fire, corrections, and sanitation personnel are contractually entitled to unlimited sick leave. This proposal would have the Department of Correction make bonus payments to correction officers who use three or fewer sick days in a consecutive six-month period. The goal would be to induce a reduction in the costly utilization of sick leave, thereby resulting in net financial savings. If successful, such an incentive program could be adopted by the city's other uniformed agencies.

The sick leave rate for uniformed corrections personnel has been higher than that of their sanitation, police, and fire counterparts each year since 1990. The costliness of sick leave usage by correction officers stems from the fact that the city's jails contain numerous "fixed" posts that must be staffed at all times. As a result, additional staff is scheduled to work in each jail in anticipation that some number of the staff will call in sick. Also, officers completing their scheduled shift are frequently required to work a second shift on overtime to fill a post left unstaffed as a result of colleagues calling in sick. Based on departmental data, the average of 17 sick days utilized by roughly 8,300 correction officers in fiscal year 2007 cost the city a total of about \$71.4 million per year, or about \$507 per occurrence.

This proposal, which would require collective bargaining, would reward correction officers who use no sick days in a six-month period with a bonus equal to 0.5 percent of base salary. Officers who use one, two, or three sick days would receive bonuses equal to 0.375 percent, 0.250 percent, and 0.125 percent of annual base salary, respectively. Although utilization of four or more sick days would result in forfeiture of bonus pay for that period, all officers would be entitled to start with a "clean slate" at the beginning of the next six-month period.

The average base salary for correction officers is currently about \$57,876. Therefore, the bonus for an officer who uses no sick days in a six month period would be \$289 and drop to \$72 for an officer using three days. To achieve net savings, the proposal would need to reduce the costliness of sick leave usage by an amount greater than the sum paid out in bonus pay. For example, enticing staff that currently average three to ten sick days per year to reduce their sick leave usage by three days would yield \$4.7 million in net savings for the city.

**PROponents MIGHT ARGUE** that numerous state and local governments reap savings by monetarily rewarding personnel (including law enforcement personnel) that limit usage of sick leave. Proponents also might argue that even if the proposal resulted in only minimal net savings, the payment of a bonus to officers who demonstrate very high rates of attendance would rightly offer them a tangible reward they deserve.

**OPponents MIGHT ARGUE** that city employees should refrain from abusing their sick leave privileges without a reward system enticing them to do so. On practical grounds, opponents might argue that some particularly cost-conscious correction officers may report to work on days on which they are truly ill so as to not lose bonus pay, thereby potentially jeopardizing the safety and health of inmates and fellow officers. They also might argue that officers whose assignments expose them to greater stress and risk of getting sick would end up unfairly losing bonus pay as a result of legitimate sick leave usage.

# OPTION: Reduce Supplemental Welfare Contributions For City Workers by 10 Percent

---

Savings:  
\$100 million annually

NEW YORK CITY'S BENEFIT COSTS have increased sharply over the past decade. Savings could be achieved by changing the city's municipal workers' benefit contribution allowance to reduce the city's payments for Supplemental Welfare Benefits. The city can unilaterally implement this change for nonunion employees. On the other hand, for union employees, these savings have to be negotiated at the bargaining table with their respective unions. Specifically, the city would reduce its contribution by 10 percent towards the union-sponsored Supplemental Welfare Benefit Fund and the Management Benefits Fund.

In fiscal year 2007, the city provided a little over \$1 billion per year for employee supplemental welfare funds. These contributions are intended to provide dental, vision, prescription drugs, and other benefits to city employees as a supplement to benefits already provided from the city's health insurance plan. This proposal would reduce these payments by 10 percent per year or approximately \$100 million per year.

The Office of Labor Relations (OLR) currently processes 120 retiree welfare fund payments and 115 active welfare fund payments each month or cycle. This does not include active welfare funds for the fire, police and sanitation departments (nine in total) or that of independent agencies such as the Department of Education which make these payments on behalf of their own employees. For active employees, city annual contributions currently range from a low of \$1,090 per active employee (Local 15 - High Pressure Plant Tenders) to a high of \$1,690 (Civil Service Bar Association). For retirees, the range is \$785 per year (Association of Surrogate & Supreme Court Reporters) to \$1,840 (Local 237).

**PROponents MIGHT ARGUE** that city workers already have benefits that are more generous than those in the private sector. In addition, city health insurance costs have risen substantially in recent years. Proponents may also argue that the funds could offer nearly the same level of benefits with 10 percent less in funding by consolidating individual unions' welfare funds into a smaller number of plans in order to reduce administrative expenses and negotiate volume prices with benefits providers.

**OPponents MIGHT ARGUE** that municipal workers are paid less than comparable workers in the private sector, and that the supplemental welfare benefits serve to partially offset the wage differential. Opponents may also argue that these supplemental benefits provide a valuable resource to potential workers, especially high-skilled workers, in a tight labor market. Finally, they may also argue that welfare funds must be tailored by each respective union according to their members' unique needs.

# OPTION:

## Merge Separate City Employee Pension Systems

---

**Initial One-Time Costs: \$67 million in 2009**  
**Savings: \$36 million in 2010, \$40 million in 2011 and \$45 million in 2012**

**NEW YORK CITY CURRENTLY HAS FIVE RETIREMENT SYSTEMS:** The New York City Employees' Retirement System (NYCERS), the New York City Teachers Retirement System, the Board of Education Retirement System, the Police Pension Fund, and the Fire Pension Fund. In contrast, the state has only three retirement systems. This option involves merging the New York City Police and Fire Pension Funds, which provide benefits to uniformed police and fire personnel, and the Board of Education Retirement System with NYCERS. Either merger would require a change in state legislation for the proposal to be implemented.

The Board of Education Retirement System (BERS) covers civilian, non-pedagogical personnel employed at the New York City Department of Education. NYCERS covers most other civilian and some uniformed city employees. Both retirement systems offer similar benefits to civilian employees in terms of pension eligibility, pension calculations, and creditable service.

Similarly, the Police and Fire Pension Funds have very similar, if not identical, retirement plan parameters. Currently, the only significant differences between the two funds relate to certain actuarial assumptions. Since the main attributes of the two systems are virtually identical, the initial transition costs would be less than those involved in merging the more varied NYCERS and BERS.

Although the initial costs of the mergers would entail outlays to cover moving, training, portfolio rebalancing and transition costs, the estimated savings in subsequent years would be realized by eliminating redundant organizational titles and gradual employee attrition, negotiating lower fees with investment fund advisors and program managers, and increasing organizational efficiencies, such as performing one audit a year rather than two.

**PROPOSERS MIGHT ARGUE** that there is no reason to incur the additional cost of maintaining separate retirement systems when their pension plans have similar, if not identical, retirement plan features. With respect to BERS, it could be argued that it is an artifact of the Board of Education era and thus is no longer needed. The merging of facilities could reduce costs and, in the case of BERS, potentially free up additional land and building space for the Department of Education. The Office of the Actuary could accrue productivity savings in the future as the oversight responsibilities for these retirement systems could be streamlined. Moreover, the merged systems would allow for efficient time management for those public officials who serve as trustees of the funds.

**OPPOSERS MIGHT ARGUE** that simply merging the now separate Boards of Trustees would result in Boards that were too large and cumbersome to manage effectively and thus hinder fiduciary oversight of the newly merged retirement system. In addition, New York City recently tried to merge BERS into the Teacher's Retirement System and the state legislature decided against the proposal, in part because of union opposition. In the case of the Fire and Police systems, one might also argue that there are cultural and occupational characteristics unique to each uniformed force that may make the merger undesirable to many of its members.



## OPTION: Institute a New Defined-Contribution Pension Plan for Civilian Workers

---

### Savings:

\$33 million in 2011, \$66 million in 2012,  
\$98 million in 2013, \$130 million in 2014

MOST FULL-TIME NEW YORK CITY CIVILIAN NONPEDAGOGICAL EMPLOYEES are members of either the New York City Employees Retirement System (NYCERS) or the Board of Education Retirement System (BERS) and most new employees are eligible to retire as early as age 57, provided they have at least five years of creditable NYCERS or BERS service.

This proposal would establish a new, defined-contribution pension plan to replace the current NYCERS or BERS “57/5” program for new, nonpedagogical civilian employees hired during or after 2009. The city would contribute 7 percent of each employee’s salary into a 401(k) or 457 account, with the employee choosing between these two options. Employees could make additional contributions to these tax-deferred accounts up to the legal maximum.

Several states have proposed and implemented a defined-contribution plan for their government workers. Michigan, for example, adopted such a plan in 1997 for its new state employees, excluding school employees and the state police. In 2006 (most recent year available), the defined-benefit pension costs for the Michigan state civilian workforce were 13.4 percent of payroll, while the defined-contribution cost was 6.4 percent. Savings would accrue because the employer contribution rate, as a percentage of payroll, exceeded 7 percent. This option requires a change in New York State statute.

**PROponents MIGHT ARGUE** that this proposal would provide significant savings to the city while giving city workers additional flexibility and portability in their retirement savings. Since workers who leave city service can roll over their 401(k) or 457 balances into an Individual Retirement Account or another employer’s plan, this proposal provides more benefits and makes city employment more attractive to younger and more mobile workers. This proposal also protects the city from the risk of overestimating investment returns and underestimating the future longevity of employees and future wage increases. Finally, it protects the city from bearing the cost of unfunded benefit increases that may arise due to future pension legislation in Albany.

**OPponents MIGHT ARGUE** that a defined-contribution plan unfairly transfers stock market risk from the city to its workers and provides a lower level of benefits to workers who remain with the city for their entire careers in contrast to the current system, which provides generous benefits to long-term employees, and little or no benefits to employees who leave city service early. They might also argue that workers may spend rather than roll over their accrued retirement balances when they change jobs, possibly leaving them with inadequate retirement savings. Nor does a defined-contribution plan offer disability protection for workers disabled before retirement. Moreover, a defined-benefit pension plan is a necessary deferred compensation tool to attract and retain high-quality workers, especially highly educated and professional workers. They also might argue that because of market risk, individual workers who happen to retire after or during a market downturn will have a significant lower savings on which to live.

## **OPTION:**

# **Establish 50 as the Minimum Age to Collect Retirement Benefits for Newly Hired Uniformed Personnel**

---

Savings: \$5.0 million in 2011, \$10.2 million in 2012, \$16.0 million in 2013, \$22.0 million in 2014, and \$28.4 million in 2015

AT PRESENT, UNIFORMED POLICE, FIRE, CORRECTIONS, AND SANITATION personnel can retire and begin collecting full retirement benefits as soon as they have completed 20 years of credited service, regardless of their age. The annual pension benefit for individuals who retire with 20 years of service is equal to roughly one-half of their final salary, and these retirees also retain city health insurance coverage. Most other city employees typically may retire after 20 years of service but must wait until age 57 or older before beginning to collect their pensions.

In three of the nation's next five largest cities (Los Angeles, Chicago, and Philadelphia), newly hired police officers and firefighters who choose to retire prior to age 50 do not begin collecting full pension benefits prior to that age even if they have completed 20 years of service. In Houston, the fourth largest city in the U.S., newly hired police officers are not eligible to begin collecting retirement benefits until age 55. This option proposes that uniformed personnel that join city service beginning in fiscal year 2009 and remain on the job for 20 or more years be eligible to retire and begin collecting retirement benefits only upon reaching their 50th birthday. In addition, uniformed personnel that serve less than 20 years but long enough to qualify for a reduced pension would not begin collecting retirement benefits until the latter of their 50th birthday or the date on which they would have completed 20 years of service had they not left prior to that point. Disability pension policies pertaining to the city's uniformed personnel would not be effected by this option.

New York State legislation must be enacted to implement this proposal because new pension eligibility requirements for city personnel cannot be set solely through local collective bargaining.

**PROponents MIGHT ARGUE** that the payment of city retirement benefits to individuals less than 50 years of age is increasingly unsustainable given today's longer life spans. The absence of a minimum age for benefits paid to retired police, fire, correction, and sanitation personnel significantly adds to the cost of funding their respective pension systems and therefore implementing this option would result in savings to the city. Moreover, many uniformed service personnel are able to have second careers after they retire from city service and collect retirement benefits at the same time. Finally, proponents might urge New York City to follow the current practice in the majority of the U.S.'s next five largest cities, which also face a host of competing needs for public resources.

**OPponents MIGHT ARGUE** that such a revision to the city's pension system for uniformed personnel would significantly hinder recruitment efforts, particularly for police recruits who are at present in very short supply. They could also contend that the pay and retirement benefits offered to prospective personnel by distant cities is of very limited relevance in comparison to that which is offered by competing public sector entities in New York State and in jurisdictions that neighbor New York City and have similar retirement plans as our city.

# OPTION:

## Health Insurance Copayment by City Employees

---

### Savings:

\$398 million in 2009, \$431 million in 2010,  
\$468 million in 2011, \$508 million in 2012

THE CITY'S HEALTH INSURANCE COSTS have increased sharply over the past decade. Savings could be achieved by renegotiating municipal workers' healthcare benefit package to shift a portion of the health insurance premium costs to active employees and retirees. Specifically, employees and retirees (approximately 560,000 New York City health care plan enrollees) would contribute 10 percent of the cost of their health insurance premiums for individual and family coverage. Implementation of this proposal would have to be negotiated with the respective municipal unions.

Approximately 90 percent of active city health insurance enrollees select either GHI or HIP health insurance and pay no premiums. The majority of public- and private-sector employers require some copayment towards health insurance premiums. New York state employees are required to pay 10 percent toward the cost of individual coverage and 25 percent of the additional costs of family coverage. Under this option, current employees and retirees would contribute 10 percent of the current New York City health insurance contribution rate on a pre-tax basis. This will marginally reduce the employee contribution rate below 10 percent.

**PROponents MIGHT ARGUE** that this proposal generates recurring savings for the city and potential additional savings by giving city employees the incentive to become more cost conscious and to work with the city to seek lower premiums. It will also provide greater incentives for unions to work with the city to aggressively seek lower health care premiums. Proponents also might say that given the dramatic rise in health insurance costs, premium cost sharing could prevent a reduction in the level of coverage and service provided to city employees. Additionally, proponents could argue that contributing a share of the costs in a defined-benefit health insurance plan would be preferable to shifting to a defined-contribution plan (e.g., a health care reimbursement arrangement), where the city gives the employee a fixed amount of money for the employee to purchase health insurance. Finally, they could note that employee copayment of health insurance premiums is common practice in the private sector, and increasingly in public employment as well.

**OPponents MIGHT ARGUE** that requiring employee contributions for health insurance would be a burden, particularly for low-wage employees. Critics could argue that cost sharing would merely shift the burden of rising premiums onto employees, with no guarantee that slower premium growth would result. Also, opponents fear that once cost sharing is in place, the city would be more likely to ask employees to bear an even bigger share of the costs if health insurance premiums continue to rise. Finally, critics will argue that many city employees, particularly professional employees, are willing to work for the city despite higher private-sector wages, in return for the attractive benefits package. Thus, this proposal, if realized, could effect the city's effort to attract or retain talented employees in the long run, especially in positions that are hard to fill.

# OPTION: Institute a Biweekly Payroll System for City Employees Currently Paid on a Weekly Basis

---

Savings:  
\$810,000 annually

MOST CITY EMPLOYEES ARE PAID on either a biweekly or semi-monthly basis. However, certain city employees—members of the Uniformed Sanitationmen’s Association (USA) and certain Department of Environmental Protection (DEP) and Department of Sanitation (DSNY) Section 220 craft workers—are paid on a weekly basis.

A conversion of the pay date period for these city employees to a biweekly basis would save the city money from two primary sources. First, the city would accrue interest on the additional week of money held by the city treasury. Second, DSNY and DEP would accrue productivity savings by eliminating the need to deploy personnel for the distribution of paychecks to the worksites of the affected employees. Instituting this change in the payroll system would allow the city to save \$810,000 in total from both the additional interest earned and the increased productivity. Implementing this change requires collective bargaining negotiations with the affected unions at DSNY and DEP.

PROPOSERS MIGHT ARGUE that this option provides cost savings to the city in a relatively painless manner. Savings could be realized by streamlining timekeeping and payroll practices at DSNY and DEP. Further, to the extent that the weekly payroll system engenders some system-specific human capital, training, or experience, exercising this proposal could allow more flexibility in manpower planning at both agencies.

For the unions, this change could count as productivity savings in bargaining with the city, and might be more acceptable to the unions and their members than other options might be. This option could also have additional benefits for the affected unionized employees; for example, USA members do not have direct deposit because it is too costly for the city to process direct deposit every week and there is a time constraint as well.

OPPONENTS MIGHT ARGUE that this proposal would represent a transfer of interest earnings from employees to the city treasury. Many union members may be against this “subsidy” since they would argue that they are currently underpaid for difficult work. Some may argue that no or little productivity savings will accrue because no other productive work will be available for those restricted/light-duty employees who would otherwise be assigned to these pay distribution functions. The latter would have to go on sick-leave if no other work is available. Finally, some may argue that if this option is implemented, training may be required for current clerical personnel assigned to the weekly payroll function in order to teach them the biweekly payroll and timekeeping system. As a result, some of the savings may be offset by this training cost.

## OPTION: Increase From 5 to 10 the Number of Years Needed for Pension Vesting

---

### Savings:

\$3.1 million in 2011, \$6.5 million in 2012,  
\$10.0 million in 2013, \$13.6 million in 2014,  
and \$17.3 million in 2015

NEW YORK CITY EMPLOYEES ARE MEMBERS of the New York City Employees' Retirement System, the Teacher's Retirement System, the Board of Education Retirement System, the Police Pension Fund, and the Fire Pension Fund. Currently, all city employees need to have five years of credited service to be considered "vested" and eligible for a pension benefit.

For city civilian employees in the 57/5 retirement program, the pension benefit is paid at the age of 57 if the member is vested. For city uniformed personnel who are vested, the pension benefit is paid at the age the member has completed 20 years of credited service. In contrast, all city employees are entitled to retiree health insurance if he or she has at least 10 years of credited service and is receiving a pension check from any of the municipal retirement systems.

This proposal calls for increasing the pension vesting requirement from 5 years to 10 years for all new city employees. If implemented in fiscal year 2009, the savings from this proposal would grow annually from \$3.1 million in 2011 to \$17.3 million in 2015. In addition, this proposal would have no impact on other pension features, such as accidental and regular disability, of the various retirement systems. While New York City and the respective unions can bargain over the support of this pension reform proposal, New York State legislation is also required for it to take effect.

**PROPONENTS MIGHT ARGUE** that this change would appropriately align the 10 year service requirement for pensions with that for retiree health insurance, easing the administration of both programs from a human resource management perspective. Additionally, employee retention could be enhanced as more members would stay in city service for at least 10 years to obtain both pension and retiree health insurance benefits. Finally, unions may be more inclined to support this pension reform proposal, as opposed to others, because this proposal will only affect new members.

**OPPONENTS MIGHT ARGUE** that a change in the pension vesting requirement would hinder recruitment efforts among experienced professionals, such as engineers and accountants, who are over 50 years of age. Public sector professionals are often not as well-compensated as private-sector employees doing similar work, and prospective older applicants may be willing to accept the lower salary in return for a vested pension benefit after only five years of service. Finally, critics might also contend that the elimination of the five year vesting requirement in hard-to-recruit titles, such as police officer and emergency medical technician, could make it even more difficult to staff those positions.

# OPTION: Eliminate Overtime as a Factor in the Computation of Pension Benefits for City Employees

---

## Savings:

\$15 million in 2011, \$31 million in 2012, \$49 million in 2013, \$67 million in 2014, and \$85 million in 2015

PUBLIC SECTOR PENSION PROGRAMS in New York City and State are unusual in that earned overtime pay is a factor in the determination of an employee's pension benefit. This is not the case in most other jurisdictions across the country. In fact, according to a 1998 national survey (the most recent data available) conducted by the U.S. Department of Labor, only 6 percent of full-time employees in state and local government pension plans nationwide have overtime as a "pensionable" component of their plans.

For individuals newly hired by the city beginning in fiscal year 2009, eliminating overtime as a factor in the computation of their eventual retirement benefit would yield annual savings (net of employee contributions) of \$15 million in 2011, with annual savings climbing to \$85 million by 2015. The city would not realize savings until 2011 due to a current actuarial practice that builds in a time lag between the point at which a pension plan is modified and that modification's impact on the city budget. This proposal would affect virtually all city employees except teachers and other employees of the Department of Education.

Such a change to the city's pension plan would require the approval of the state Legislature and would not alter the provisions of the city's various pension plans as they relate to current city employees.

**PROponents MIGHT ARGUE** that the inclusion of overtime as a factor in its pension plans is a costly anomaly that the city cannot afford. They might also argue that the current practice of including overtime in the computation of "final average salary"—upon which annual pension benefits are based—might lure some city employees to seek out excessive amounts of overtime in their final year(s) on the job. It was reported that many firefighters and police officers retired in the aftermath of the September 11, 2001 terrorist attack because of the fact that their very high overtime earnings in what would be their last year on the job had significantly increased the pension benefit they would receive for retiring at that point in time.

**OPponents MIGHT ARGUE** that inclusion of overtime as a factor in the computation of retirement benefits is legitimate in that it is part of employees' hard-earned compensation. Opponents might also argue that any diminution of pension benefits for new city employees could exacerbate ongoing difficulties in attracting certain categories of new hires, perhaps most markedly efforts to attract a sufficient number of police officer recruits.

# OPTION:

## Increase State Reimbursement for Certain Criminal Justice Costs

---

**Savings:**  
**\$29 million annually**

UNDER CURRENT NEW YORK STATE LAW, certain criminal justice costs are shared between local governments and the state. Over time, the state's reimbursement for probation services has declined; this option would raise the state's reimbursement rate for probation services to 50 percent. In addition, new city-funded alternative programs with the potential to avoid costly incarceration have developed in recent years. This option envisions that the state and city would share the costs of these alternative programs equally—potentially generating savings for both the city and the state, which bears the full cost of incarceration of adult felons, and half the cost of incarceration of juveniles.

Under New York State's Executive Law 246, the state reimburses up to 50 percent of eligible local probation services costs. As recently as 1986, New York State reimbursed county probation departments for nearly 47 percent of their total budgets. However, the amount of state funding has dropped significantly over the years, and in recent years the state has reimbursed New York City for only about 19 percent of approved expenditures. At the same time the responsibilities of the city's Department of Probation have increased in areas such as DNA testing and sex offender registration.

The Department of Probation also operates or oversees several programs designed to provide eligible alleged juvenile delinquents with an alternative to detention (ATD) in the city's Department of Juvenile Justice's secure and non-secure detention facilities, and to provide juveniles found to be delinquent with an alternative to placement (ATP) in state custody. To the extent that these programs divert youth from detention and placement, these alternatives—which are far less expensive—save both the city and state money although they are primarily funded by the city.

Restoring the state's contribution to 50 percent would provide more than \$26 million each year for New York City probation services, while making ATD and ATP programs eligible for reimbursement would save the city another \$3 million. The support of New York's Governor and state Legislature would be required to implement this proposal.

**PROponents MIGHT ARGUE** that historically the state has been a more equal partner in funding local probation services. If state funding for probation continues to erode, the quality of probation services may suffer, especially given that the city's probation department supervises roughly 39 percent of all probationers in the state and 51 percent of all felons on probation in the state. As probation is an alternative to incarceration, the state benefits directly when felons are placed under probation rather than incarcerated in New York State prisons, for which the state bears the bulk of the cost. Similarly, the costs of ATD and ATP programs should be shared because both the city and state benefit from avoiding the higher costs of incarceration. Moreover, alternatives allow youth to remain in the community and schools, potentially decreasing recidivism by avoiding difficult transitions from detention or placement back into the community.

**OPponents MIGHT ARGUE** that New York State Executive Law 246 allows for a statutory cap but does not require a minimum contribution for local probation services. They might also argue that the ATD and ATP programs developed by the city are still in their early stages and have not been proven effective. Furthermore, these programs may serve youth who would have otherwise been released to their families pre-adjudication, or placed under supervision post-adjudication, and therefore would not yield the expected savings.

## OPTION:

# Swap Local Medicaid Burden for a Portion of Local Sales Tax

---

Savings:  
**\$2.3 billion initially**

ONLY ABOUT A QUARTER OF THE STATES require local sharing of the state's Medicaid obligations. New York is one of these states, and the required local share here is by far the largest in the country. Beginning in 2006, New York implemented a cap on the annual increase in local Medicaid spending, with the state absorbing additional costs above the cap. Under this option, the state would absorb the entire local Medicaid costs from all counties (the city is treated like a single county for Medicaid purposes) across the state, not just the costs exceeding the cap. To help the state fund its much larger obligations, a portion of the county share of the local sales tax would be shifted to the state treasury. Thus, the cost of providing medical assistance to low-income residents would be spread across the entire state, rather than concentrated in counties with disproportionate numbers of poor people.

Shifting the burden for all locally financed Medicaid to the state government would add an estimated \$6.5 billion to state expenditures in 2008, \$4.6 billion from New York City and \$1.9 billion from the rest of the state. Shifting half of the city's sales tax revenue and 20 percent of other counties' sales tax revenue to the state would yield the state government \$3.6 billion in new revenue in 2008. The net increase in state expenditures would be approximately \$3 billion initially. The cost to the state would diminish over time, since sales tax revenue is expected to increase at a rate above the 3.0 percent cap on local Medicaid costs.

The swap would save the city about \$2.3 billion initially and somewhat smaller amounts in future years. The other counties would have a net gain of about \$670 million in 2008. Gains to suburban counties would diminish over time, while slow-growing counties such as Erie, Monroe, and Onondaga would gain more in later years.

PROponents MIGHT ARGUE that the nonfederal portion of Medicaid is most properly borne equally across the state. Forcing localities to bear a substantial portion of what in most other states is a state-level burden results in higher local taxes in localities with concentrations of Medicaid-eligible residents, which can result in competitive disadvantages for those counties. Proponents might further argue that the state's current system diminishes accountability for managing the program. The localities are forced to support and administer a program with policies and priorities that are largely determined by Albany. Shifting the full nonfederal cost to the state would result in more accountability at the state level. Finally proponents might argue that because a similar swap was proposed in the context of the 2006 legislation establishing the cap, this is a plausible reform.

OPponents MIGHT ARGUE that a swap that results in a substantial net shift of resources to New York City is not realistic while the state faces its own fiscal difficulties and only a year after the state substantially increased aid to city schools. Conversely, they might argue that since Medicaid is primarily a state responsibility, the state should move toward absorbing the full cost of the program without demanding a share of local sales tax revenue. Finally, opponents might argue that, by shifting the marginal cost of changes in Medicaid policy to the state, the cap on local share has already resolved the accountability concerns created by the former system of Medicaid funding. In that case, it would make more sense to focus on other policy areas where there may be more serious discrepancies between how programs are funded and where authority over them lies.



## **OPTION: State Reimbursement for Inmates in City Jails Awaiting Trial for More Than One Year**

---

**Savings:  
\$105 million annually**

AT ANY GIVEN TIME about two-thirds of the inmates in Department of Correction (DOC) custody are pretrial detainees. A major determinant of the agency's workload and spending is therefore the swiftness with which the state court system processes criminal cases. Throughout the adjudication process, detention costs are almost exclusively borne by the city regardless of the length of time it takes criminal cases to reach disposition. The majority of long-term DOC detainees are eventually convicted and sentenced to multiyear terms in the state correctional system, with their period of incarceration upstate (at the state's expense) shortened by that period of time already spent in local jail custody at the city's expense. Therefore, the quicker the adjudication of court cases involving defendants detained in city jails and ultimately destined for state prison, the smaller the city's share of total incarceration costs.

Existing state court standards call for no felony cases in New York State to be pending in Supreme Court for more than six months at the time of disposition. In calendar year 2006, however, just over 1,300 convicted prisoners from the city had already spent more than a year in city jails as pretrial detainees.

If the state reimbursed the city only for local jail time in excess of one year at the city's average cost of \$310 per day, the city would realize annual revenue of about \$105 million. It should be stressed that the reimbursement being sought in this option is separate from what the city has been seeking for several years for other categories of already convicted state inmates temporarily held in city jails for a number of reasons (e.g., parole violations and newly sentenced "state readies"). The reimbursement sought with this option is associated with long-term pretrial detention time served by inmates who are later convicted and sentenced to multiyear terms in the prison system.

**PROponents MIGHT ARGUE** that the city is unfairly bearing a cost that should be the state's, and that the city has little ability to effect the speedy adjudication of cases in the state court system. They could add that imposing what would amount to a penalty on the state for failure to meet state court guidelines might push the state to improve the speed with which cases are processed. In addition, the fact that pretrial detention time spent in city jails is ultimately subtracted from upstate prison sentences means that the state effectively saves money at the city's expense.

**OPponents MIGHT ARGUE** that many of the causes of delay in processing criminal cases are due to factors out of the state court's direct control, including the speed with which local district attorneys bring cases and the availability of defense attorneys, among other things. Furthermore, given that a disproportionate number of state prisoners are from New York City, calling upon the city to bear the costs associated with long-term detention constitutes an appropriate shifting of costs from the state to the city.

## OPTION: Raise Reimbursement Rate For Certain Categories Of State Inmates Held In City Jails

---

Savings:  
\$118.9 million annually

THE CITY CURRENTLY RECEIVES FROM THE STATE just \$40 per day for several categories of state inmates temporarily held in city jails, far less than the average cost incurred by the city of \$310 per day.

The state inmates at issue comprise about 9 percent of the roughly 14,000 inmates held in city jails. These inmates include individuals who have violated some aspect of the conditions under which they were paroled from state prison, newly convicted and sentenced felons awaiting transfer into the state prison system, and other state inmates being held in city jails as a result of an order to appear in local court proceedings.

Under this option, the reimbursement rate would be increased from \$40 to \$310 per day, the average daily cost of incarcerating an inmate in the city's jail system. Implementation of this option would require enactment of state legislation.

**PROPOSERS MIGHT ARGUE** that imposing on localities the cost of incarcerating state inmates is inherently unfair. They might argue, as did the Bloomberg Administration in documentation accompanying the release of the 2008 Preliminary Budget, that state-ready inmates and parole violators are the responsibility of the state and the city should therefore receive full reimbursement for the actual cost of incarcerating these inmates.

**OPPONENTS MIGHT ARGUE** that there is at least some justification for holding localities responsible for the cost of temporarily incarcerating these state inmates. For example, parole violators and newly sentenced felons are incarcerated in city jails as a result of transgressions or crimes they were either alleged to have committed or found guilty of within the city. In addition, locally elected district attorneys often play a key role in the decision to summon "court ordered" state inmates brought back to the city for the purpose of appearing in court proceedings within the five boroughs.

# *Revenue Options*

# OPTION: Personal Income Tax Increases for High-Income Residents

---

Revenue:  
\$366 million in 2009, \$619 million by 2012

UNDER THIS OPTION, THE MARGINAL TAX RATES OF HIGH-INCOME NEW YORKERS would be increased. Currently, the highest of the four personal income tax (PIT) brackets begins at \$50,000 to \$90,000 of taxable income, depending on filing status, and has an effective marginal tax rate of 3.65 percent (the 3.2 percent base rate multiplied by the 14 percent surcharge). This option would create two additional tax brackets at the top. The fifth bracket would begin at \$125,000 for single filers, \$225,000 for joint filers, and \$150,000 for heads of household, and with the surcharge its marginal rate would be 3.92 percent. The top bracket would begin at \$250,000 for singles, \$450,000 for joint filers, and \$300,000 for heads of household, with an effective rate of 4.20 percent. This option is similar in structure to the 2003-2005 PIT increase that raised upper-income tax burdens, but the income levels defining the top brackets are different and the increases in marginal rates are 0.25 percentage points less than those in effect from 2003 to 2005. This option also differs in that it does not include the 2003-2005 “recapture provisions” under which some or all of taxable incomes not in the highest brackets were taxed at the highest marginal rates. If the higher rates of this proposal went into effect at the beginning of calendar year 2009, their full revenue-raising effect would not be evident until fiscal year 2010, when the city would receive an additional \$603 million of PIT revenue. This tax change would require approval by the state Legislature.

**PROPOSERS MIGHT ARGUE** that continuing the recent PIT increases would provide a substantial boost to city revenues without affecting the vast majority of city residents. Only 5.3 percent of all city resident tax filers in 2009—or 7.8 percent of all taxpayers—would pay more under this proposal; all of them would have adjusted gross incomes above \$125,000. There is no evidence that these affluent New Yorkers have left the city in response to the recent three-year tax increase, even with a larger New York State PIT increase also enacted at the same time. Also, this proposal avoids burdensome recapture provisions and features far smaller tax increases than those enacted from 2003 to 2005, so most all affected taxpayers would bear less of a tax increase than they did previously. Finally, for taxpayers who do not pay the alternative minimum tax and are able to itemize deductions, increases in city PIT burdens would be partially offset by reductions in federal income tax liability, lessening disincentives for the most affluent to remain city residents.

**OPPOSERS MIGHT ARGUE** that New Yorkers are already among the most heavily taxed in the nation and a further increase in their tax burden is likely to induce movement out of the city. New York is one of only three among the largest U.S. cities to impose a personal income tax, and its PIT burden is second only to Philadelphia’s. Tax increases only exacerbate the city’s competitive disadvantage with respect to other areas of the country. Even without recapture provisions, in 2009 city residents earning more than \$500,000 would on average pay an additional \$11,100 in income taxes. These taxpayers are projected to account for a little more than half of the city’s PIT revenue in that year, and if 5 percent of them were to leave the city in response to higher taxes, PIT revenue would decline by \$198 million (assuming those moving had average tax liabilities for the group). Over time the revenue loss would be further compounded by reductions in other city tax sources, such as business income taxes, the sales tax, and the property tax.

## OPTION: Restore the Former Commuter Tax

---

**Revenue:**  
\$713 million in 2009, \$835 million by 2012

ONE OPTION TO INCREASE CITY REVENUES would be to restore the nonresident earnings component of the personal income tax (PIT), known more commonly as the commuter tax. Since 1971 the tax had equaled 0.45 percent of wages and salaries earned in the city by commuters and 0.65 percent of self-employment income. Nine years ago the New York State Legislature repealed the tax, effective July 1, 1999. If the Legislature were to restore the commuter tax at its former rates effective on July 1 of this year, the city's PIT collections would increase by \$713 million in 2009, \$755 million in 2010, \$798 million in 2011, and \$835 million in 2012.

PROPONENTS MIGHT ARGUE that people who work in the city, whether a resident or not, rely on police, fire, sanitation, transportation, and other city services and thus should assume some of the cost of providing these services. Revenue from the tax could be dedicated to specific uses that are likely to benefit commuters, such as transportation infrastructure or police, fire, and sanitation in business districts. If New York City were to tax commuters, it would hardly be unusual: New York State and many other states, including New Jersey and Connecticut, tax nonresidents who earn income within their borders. Moreover, with tax rates between roughly a fourth and an eighth of PIT rates facing residents, it would not unduly burden most commuters. Census Bureau data on the numbers and earnings of commuters and city residents indicates that in 2005 commuters on average earned \$92,100 in the city, compared to residents' average earnings of \$48,400. Also, by lessening the disparity of the respective income tax burdens facing residents and nonresidents, reestablishing the commuter tax reduces the incentive for current residents working in the city to move out. Finally, some might argue for reinstating the commuter tax on the grounds that the political process which led to its elimination was inherently unfair in spite of various court rulings upholding the legality of the elimination. By repealing the tax without input from or approval of either the City Council or then-Mayor Giuliani, the state Legislature unilaterally eliminated a significant source of city revenue.

OPPONENTS MIGHT ARGUE that reinstating the commuter tax would adversely affect business location decisions because the city would become a less competitive place to work and do business both within the region and with respect to other regions. By creating disincentives to work in the city, the commuter tax would cause more nonresidents to prefer holding jobs outside of the city. If, in turn, businesses find it difficult to attract the best employees for city-based jobs or self-employed commuters (including those holding lucrative financial, legal, advertising, and other partnerships) are induced to leave the city, the employment base and number of businesses would shrink. The tax would also make the New York region a relatively less attractive place for businesses to locate, thus dampening the city's economic growth and tax base. Another argument against the commuter tax is that the companies that commuters work for already pay relatively high business income taxes, which should provide the city enough revenue to pay for the services that commuters use. Finally, at the time that the state Legislature repealed the commuter tax, suburban legislators argued that it was fair to provide commuters with a tax cut because city residents benefited greatly from the elimination of the 12.5 percent ("criminal justice") surcharge, which in terms of absolute dollar amounts (though not percentage terms) is about one-third greater than the nonresident tax that was repealed.

## OPTION: Establish a Progressive Commuter Tax

---

### Revenue:

\$1.4 billion in 2009, \$1.6 billion by 2012

ANOTHER OPTION TO INCREASE CITY REVENUES would be to establish a progressive commuter tax—one in which commuters with higher incomes are taxed at higher rates, similar to how city residents are taxed though at only one-third the rates. Regardless of where it is earned, the commuter's entire taxable income would be subject to a progressively structured tax, though the resulting liability would then be reduced in proportion to the share of total income actually earned in New York—comparable to how New York State taxes nonresidents who earn some or all of their income within its borders. Mayor Bloomberg proposed such a tax in November 2002, but he called for taxing city residents and commuters at the same rates. Enacting this proposal requires state approval. If a progressive commuter tax at one-third the rates of the resident tax (0.97 percent in the lowest tax bracket to 1.22 percent in the highest) were to begin on July 1, 2008, the boost to city revenues would be substantial: \$1.407 billion in 2009, \$1.484 billion in 2010, \$1.578 billion in 2011, and \$1.617 billion in 2012.

PROPOSERS MIGHT ARGUE that people who work here, whether a resident or not, rely on basic city services, so commuters should bear some portion of the cost of providing these services. Because it would tax upper-income families at higher rates than it would moderate-income families, a progressive commuter tax would be fairer than the former tax, which taxed income earned in the city at flat rates (0.45 percent of wages and salaries and 0.65 percent of self-employed income). As estimated for calendar year 2009, half of all commuters will have annual incomes above \$125,000 (compared with 8.6 percent of all city resident filers); this group would also be responsible for 87.6 percent of the commuter tax liability, so the tax would primarily be borne by households who can best afford it. Moreover, residents of New Jersey and Connecticut, who constitute most out-of-state commuters and tend to have higher city-based incomes than do in-state commuters, would be able to receive a credit against their state personal income tax for a portion of their commuter tax liability, thus offsetting some of their additional tax burden. To a greater extent than just restoring the old tax, a progressive commuter tax would lessen the disparity of the respective income tax burdens facing residents and nonresidents and thus reduce the incentive for current residents working in the city to move out.

OPPOSERS MIGHT ARGUE that any commuter tax would adversely affect business location decisions because the city would become a less competitive place to work and do business both within the region and with respect to other regions. The adverse economic effects of the proposed progressive tax would be worse than those of the former commuter tax because the progressive tax's rate would be higher; average tax liability in 2009 would be an estimated \$1,600. By creating disincentives to work in the city, the commuter tax would cause more nonresidents to prefer holding jobs outside of the city. If, in turn, businesses that find it difficult to attract the best employees for city-based jobs or self-employed commuters (including those holding lucrative financial, legal, advertising, and other partnerships) are induced to leave the city, the employment base and number of businesses would shrink. The tax would also make the New York region a relatively less attractive place for new businesses to relocate. Another possible argument against the commuter tax is that the companies that commuters typically work for already pay relatively high business income taxes and high commercial property taxes, which should provide the city enough revenue to pay for the services that commuters use.

## OPTION: Restructure Personal Income Tax Rates To Create a More Progressive Tax

---

Revenue:  
\$277 million in 2009, \$470 million by 2012

THIS OPTION WOULD CREATE A MORE PROGRESSIVE STRUCTURE of the personal income tax's (PIT) rates by reducing marginal rates in the bottom income brackets and raising marginal rates at the top. Unlike the 2003-2005 PIT increase affecting upper-income filers, this option would provide both tax cuts to most resident tax filers and a lasting boost to city tax collections.

The base tax rates would become as follows: The lowest marginal rate would be reduced from 2.55 percent to 2.35 percent, and the next highest rate would be reduced from 3.1 percent to 2.95 percent. The rates and income range of the third bracket would remain the same but the top bracket would now become divided into three groups. A new fourth bracket with a slightly increased base rate of 3.35 percent would end at incomes of \$125,000 for single filers, \$225,000 for joint filers, and \$150,000 for heads of households (single parents). The next bracket would have a marginal rate of 3.44 percent for incomes up to \$250,000, \$450,000, and \$300,000 for single, joint, and head of household filers, respectively. The marginal rate in the new top bracket would be 3.68 percent, a 0.60 percentage point increase over the top rate prior to the temporary increase. This option does not include "recapture" provisions, so taxpayers in the top brackets would again benefit from the marginal rates in the lower brackets of the tax table. If the new rates were approved by the state and went into effect at the beginning of calendar year 2009, their full revenue-raising effect would not be evident until fiscal year 2010.

PROPOSERS MIGHT ARGUE that a progressive restructuring of PIT base rates would simultaneously achieve several desirable outcomes: a lasting increase in city tax revenue, a tax cut for the majority of filers, and a more progressive tax rate structure. Restructuring would significantly heighten the progressivity of the PIT, which had been made less so in 1996 when the number of tax brackets was reduced. Restructuring has the advantage of providing tax cuts to and raising the disposable incomes of a large numbers of filers. A projected 76.8 percent of all tax filers, almost all with incomes below \$250,000, would receive a tax cut in calendar year 2009. This proposal also would avoid the burdensome recapture provisions of the 2003-2005 increase. Finally, for many taxpayers who itemize deductions, increases in city PIT burdens would be partially offset by reductions in federal income tax liability, lessening disincentives for the most affluent to remain city residents.

OPPOSERS MIGHT ARGUE that if the principal goal of altering the PIT is to raise revenue, this option is somewhat inefficient. For tax year 2009, the reductions in base rates in the bottom two tax brackets decrease the revenue-raising potential of the accompanying increases by at least \$117 million. Furthermore, while many non-affluent filers would receive tax cuts under restructuring, filers with incomes above \$1 million would still see their PIT liabilities rise on average by an estimated \$21,300 in 2009. This large an increase could cause at least some of the most affluent to leave the city. If only 5 percent of "average" millionaires (about 1,100 filers) were to leave town, the city would lose roughly \$167 million annually in PIT revenue, and over time this revenue loss would be further compounded by reductions in other city tax sources. Finally, in the coming years more New Yorkers will become subject to the federal alternative minimum tax, which does not allow taxpayers to deduct state and local tax liabilities, so many who would pay higher taxes under this option will bear the entire additional tax burden.

## OPTION: Subject Variable Supplemental Fund Payments To New York City and State Income Taxes

---

Revenue:  
\$3.2 million annually

UNLIKE OTHER JURISDICTIONS, New York City provides a variable supplemental fund (VSF) allowance for uniformed police, fire, and correction personnel after 20 years of credited service. Individuals who retire either with less than 20 years of creditable service or who retire on a disability pension are not eligible for the VSF allowance.

The VSF was created as part of an agreement with the uniformed police and fire unions in return for allowing the Police and Fire Pension Funds to invest in higher risk equities, whose higher rates of return were expected to reduce New York City's required annual contributions to these funds. While the police and fire VSFs were established through the collective bargaining process, the correction officer's VSF was the direct result of state legislation.

Variable supplemental fund distributions are not considered retirement benefits and thus, are not protected from the pension diminution clause of the New York State Constitution. As a result, the VSF allowance can be adjusted by a change in state law. For police and fire personnel, the VSF allowance is statutorily guaranteed at \$12,000 per year. However, for correction personnel it is not guaranteed until the year 2019. At the present time, correction personnel do not receive VSF distributions because their VSF allowance is based on additional earnings garnered from the pension fund's higher-risk investments. Because these additional earnings (the "pension skim") continue to fall short of the total amount necessary to pay the full VSF allowance for all eligible corrections personnel, no VSF payments are currently made to these retirees. Roughly, two-thirds of all Police Pension Fund retirees and one-third of all Fire Pension Fund retirees receive a VSF allowance.

Currently, all pension distributions from New York City's five retirement systems are exempt from any city or state income taxes. Under this option, VSF distributions would be subject to city and state income taxes, thereby generating each year about \$3.2 million in revenue for the city and \$11.1 million for the state. New York State legislation would be required for this option to take effect.

**PROPOSERS MIGHT ARGUE** that the fact that the VSF payments are made from the pension funds should not immunize them from either city or state income taxes. Since the VSF is now a defined benefit for uniformed police and fire personnel, New York City now bears all the risk of funding the \$12,000 per year VSF allowance in the event that the additional pension earnings are insufficient.

**OPPOSERS MIGHT ARGUE** that this proposal, if enacted, could actually cost the city money since it would serve as an inducement for VSF beneficiaries to move out of the city or state to avoid the New York City or New York State tax. In addition, it would contravene the bargaining history of the VSF.



## OPTION: Raise Cap on Property Tax Assessment Increases

---

### Revenue:

\$74 million in first year and  
\$140 million to \$175 million in fifth year

UNDER CURRENT LAW, property tax assessments for Class 1 properties (one-, two-, and three-family homes) may not increase by more than 6 percent per year or 20 percent over five years. For apartment buildings with four to 10 units, assessment increases are limited to 8 percent in one year and 30 percent over five years. This option would raise the annual assessment caps to 8 percent and 30 percent for five years for Class 1 properties and to 10 percent annually and 40 percent over five years for small apartment buildings. State legislation would be needed to implement the higher caps and to adjust the property tax class shares to allow the city to recognize the higher revenues.

This change would bring in \$74 million for fiscal year 2010 (with the assessment roll for fiscal year 2009 already largely complete, 2010 is the first year the option could be in effect) and \$140 million to \$175 million annually after five years. These revenue estimates are highly sensitive to assumptions about changes in market values. The average property tax increase in the first year for Class 1 properties would be approximately \$81.

The assessment caps for Class 1 were established in the 1981 legislation creating the city's current property tax system (S7000a) and first took effect for fiscal year 1983. The limits on small apartment buildings in Class 2 were added several years later. The caps are one of a number of features in the city's property tax system that keeps the tax burden on Class 1 properties very low in order to promote homeownership. Assessment caps are one way to provide protection from rapid increases in taxes driven by appreciation in the overall property market that may outstrip the ability of individual owners to pay, particularly those who are retired or on fixed incomes.

Although effective at protecting such owners, it is acknowledged that assessment caps cause other problems. They can exacerbate existing inequities within the capped classes if market values in some neighborhoods are growing faster than the cap while values in other neighborhoods are growing slower than the cap. Moreover, in a classified tax system such as New York's, if only one type of property benefits from a cap, interclass differences in tax burdens will also grow. Beyond these equity concerns, caps can constrain revenue growth if market values are growing at a rate above the cap, particularly if the caps are set lower than needed to provide the desired protection for homeowners' ability to pay.

**PROONENTS MIGHT ARGUE** that an increase in the caps would eventually yield significant new revenue for the city. Further, by allowing the assessments on more properties to grow proportionately with their market values, intra-class inequities would be lessened. Finally, by allowing the overall level of assessment in Class 1 and in part of Class 2 to grow faster, the interclass inequities in the city's property tax system would be reduced.

**OPONENTS MIGHT ARGUE** that increasing the burden on homeowners would undermine the city's goals of encouraging homeownership and discouraging the flight of middle-class taxpayers to the suburbs. Other opponents would argue that given the equity and revenue shortcomings of assessment caps they should be eliminated entirely rather than merely raised.

## OPTION: Tax Vacant Residential Property the Same as Commercial Property

---

**Revenue:**

\$47.5 million in 2009, rising to  
\$256.3 million per year when fully phased in

UNDER NEW YORK STATE LAW, a vacant property in New York City (outside the area south of 110th Street in Manhattan) which is situated immediately adjacent to property with a residential structure, has the same owner as the adjacent residential property, and has an area of no more than 10,000 square feet is currently taxed as Class 1 residential property. In fiscal year 2009, there are roughly 25,000 such vacant properties. As Class 1 property, these vacant lots are assessed at no more than 6 percent of full market value, with increases in assessed value due to appreciation capped at 6 percent per year and 20 percent over five years. In 2009, the median ratio of assessed value to full market value is expected to be 1.7 percent for these properties.

Under this option, which would require state approval, each vacant lot with an area of 2,500 square feet or more would be taxed as Class 4, or commercial property, which is assessed at 45 percent of full market value and has no caps on annual assessment growth. About 13,600 lots would be reclassified. Phasing in the increase in assessed value evenly over five years would generate \$47.5 million in additional property tax revenue in the first year, and the total increment would grow by \$52.2 million in each of the next four years. Assuming that rates remain at their 2008 levels, property tax revenue in the fifth and final year of the phase-in would be \$256.3 million higher than without this option.

**PROponents MIGHT ARGUE** that vacant property should not enjoy the low assessment benefits of Class 1 that are meant for housing. They might also argue that this special tax treatment of vacant land discourages residential development, an unwise policy in a city with a critical housing shortage. Proponents might further note that the lot size restriction of 2,500 square feet (the median lot size for non-vacant Class 1 properties in New York City) would not create incentives to develop very small lots, and the city's zoning laws and land use review process also provide a safeguard against inappropriate development in residential areas.

**OPponents MIGHT ARGUE** that the current tax treatment of this vacant land serves to preserve open space in residential areas in a city with far too little open space. Opponents also might have less faith in the power of existing zoning and land use policies to adequately restrict development in residential areas.

## OPTION: Extend the Mortgage Recording Tax

---

Revenue:  
\$136 million annually

THE MORTGAGE RECORDING TAX (MRT) is levied on the amount of the mortgage used to finance the purchase of houses, condo apartments, and all commercial property. It is also levied when mortgages on such properties are refinanced. The residential MRT tax rate is 1.0 percent of the value of the mortgage if the amount of the loan is under \$500,000, and 1.125 percent for larger mortgages. Currently, sales of coop apartments are not subject to the MRT, since coop financing loans are not technically mortgages. Extending the MRT to coops was initially proposed in 1989 when the real property transfer tax was amended to cover coop apartment sales.

The change would require the state Legislature to broaden the definition of financing subject to the MRT to include not only traditional mortgages but also loans used to finance the purchase of shares in residential cooperatives. IBO estimates that extending the MRT would raise \$136 million annually.

**PROPOSERS MIGHT ARGUE** that this option serves the dual purpose of increasing revenue and ending the inequity that allows cooperative apartments to avoid a tax that is imposed on transactions involving other types of real estate.

**OPPOSERS MIGHT ARGUE** that the proposal will increase costs to coop purchasers, resulting in depressed sales prices and ultimately lower market values.

## OPTION: Luxury Apartment Rental Tax

---

**Revenue:**

\$24.2 million in 2009, \$25.7 million in 2010,  
\$29.9 million in 2011

THIS PROPOSAL WOULD IMPOSE A TAX on the owner of a residential dwelling unit renting for more than \$3,000 per month. A 1 percent tax on the estimated 50,000 apartments renting for \$3,000 or more—which have an average rent of \$4,047 per month—would raise approximately \$24.2 million in 2009, rising as rents increase and the number of units renting for above \$3,000 grows. The increase, which would require state approval, could be passed on to tenants in whole or in part (depending on market conditions) when leases are renewed or units become vacant.

PROPOSERS MIGHT ARGUE that the \$3,000 threshold for this tax is above \$2,000—the point at which apartments are removed from rent regulation. Therefore the tax will not affect the city’s stock of affordable housing. To the extent that the tax is passed on to tenants, it is likely that this proportionately small tax would fall largely on the city’s well-to-do, who could easily afford to pay an average of \$40 more per month. They also could argue that vacancy decontrol for rent-regulated apartments renting for \$2,000 or more has yielded significant profits to building owners, who can thus afford to pay this modest tax that, at least initially, will fall on owners.

OPPOSERS MIGHT ARGUE that the property tax already tends to fall disproportionately on rental buildings, compared to either single-family homes or coop and condo buildings. An additional “luxury” surcharge would fall on many renters who, due to a lack of affordable housing in the city, pay \$3,000 or more but for whom this represents a significant financial burden. Approximately 53 percent of the tenants living in units renting for \$3,000 or more per month are paying more than one-third of their income in rent, according to the 2005 Housing and Vacancy Survey. About 31 percent of these tenants are paying more than 50 percent of their income in rent. Even a small increase in rent would be difficult for these tenants to afford. Finally, opponents might argue that the tax would at least initially fall on building owners, who may or may not be able to afford the increase.

## OPTION: Eliminate the Manhattan Resident Parking Tax Abatement

---

Revenue:  
\$3 million annually

THE CITY IMPOSES a tax of 18.5 percent on garage parking in Manhattan. Manhattan residents who park a car long term are eligible to have a portion of this tax abated, and are instead charged a 10.5 percent tax. By eliminating this abatement, which requires state approval, the city would generate an additional \$3 million annually.

PROPOSERS MIGHT ARGUE that having a car in Manhattan is a luxury. Drivers who can afford to own a car and lease a long-term parking space can afford to pay a premium for garage space, which is in short supply in Manhattan. Manhattan car owners contribute to the city's congestion, poor air quality, and wear and tear on streets. In turn, they should pay the tax to pay for necessary city services.

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 median monthly cost to park is \$500 in downtown Manhattan, and \$630 in midtown. The tax increase would therefore range from \$40 to \$50 per month—less in residential neighborhoods with less expensive parking. This relatively modest increase is unlikely to significantly influence car owners' choices about where to park.

OPPOSERS MIGHT ARGUE that the tax abatement is necessary to encourage Manhattan residents to park in garages, thereby reducing demand for the very limited supply of street parking. Furthermore, cars are scarcely a luxury good for many of the Manhattan residents who work outside the borough and rely on their cars to commute. Eliminating the tax abatement could push these households to leave the city altogether. Finally, they could argue that, at least in certain neighborhoods, residents are essentially forced to pay the same premium rates charged to commuters from outside the city, which are higher than those charged in predominantly residential areas.

# OPTION: Eliminate Property Tax Exemption for Madison Square Garden

---

Revenue:  
\$12 million in 2009

THIS OPTION WOULD ELIMINATE THE REAL PROPERTY TAX EXEMPTION for Madison Square Garden (MSG). For more than two decades, Madison Square Garden has enjoyed a full exemption from its tax liability for the property it uses for sports, entertainment, expositions, conventions, and trade shows. In fiscal year 2009, the tax expenditure, or amount of foregone taxes, is expected to be \$12.4 million. Under Article 4, Section 429 of the Real Property Tax law, the exemption is contingent upon the continued use of Madison Square Garden by professional major league hockey and basketball teams for their home games. Adjusted for inflation, the cumulative value of the exemption since it was enacted in 1982, measured in 2008 dollars, will reach \$215.3 million in 2009.

When enacted, the exemption was intended to ensure the viability of professional major league sports teams in New York City. Legislators determined that “operating expenses of sports arenas serving as the home of such teams have made it economically disadvantageous for said teams to continue their operations; that unless action is taken, including real property tax relief and the provision of economical power and energy, the loss of the teams is likely...” (Section 1 of L.1982, c.459). Eliminating this exemption would require the state to amend this section of the law.

**PROponents MIGHT ARGUE** that tax incentives are now unnecessary because the operation of Madison Square Garden is almost certainly profitable. Because Madison Square Garden, L.P. owns the Knicks and Rangers teams, and the MSG Network and Fox Sports New York, it receives game-related revenue from tickets, concessions, and cable broadcast advertising. In addition, Madison Square Garden hosts concerts, theatrical productions, ice shows, the circus, and much more in its arena and theater, and it collects both rent and concession revenue on these events. Proponents also might note that privately owned sports arenas built in recent years in other major cities, such as the Fleet Center in Boston and the United Center in Chicago, generally do pay real property taxes—as did MSG from 1968 when it opened until 1982—although some have received other government subsidies such as access to tax exempt financing and public investment in related infrastructure projects. In the case of MSG, the continuing subsidy, long after the construction costs have been recouped, is at odds with the philosophy that guides economic development tax expenditure policy.

**OPponents MIGHT ARGUE** that the presence of the teams continues to economically benefit the city and that foregoing \$12 million is reasonable compared to the risk that the teams might leave the city. Some also might contend that renegeing on the tax exemption would add to the impression that the city is not business-friendly. In recent years the city has entered into agreements with the Nets, Mets, and Yankees to subsidize new facilities for each of these teams. These agreements have leveled the playing field in terms of public subsidies for our major league teams. Eliminating the property tax exemption now for MSG would be unfair.

## OPTION: Revise Coop/Condo Property Tax Abatement Program

---

Revenue:  
\$95 million in 2008, rising to  
\$128 million in 2011

RECOGNIZING THAT MOST APARTMENT OWNERS had a higher property tax burden than owners of Class 1 (one-, two-, and three-family) homes, in 1997 the Mayor and City Council enacted a property tax abatement program billed as a first step towards the goal of equal tax treatment for all owner-occupied housing. A problem with this stopgap measure, which has subsequently been renewed twice, is that some apartment owners—particularly those residing east and west of Central Park—already had low property tax burdens. A December 2006 IBO study found that 40 percent of the abatement program's benefits go to apartment owners whose tax burdens were already as low, or lower, than that of Class 1 homeowners. Another 14 percent gave other apartment owners benefits beyond the Class 1 level.

Under the option outlined here, the city could reduce the inefficiency in the abatement by restricting it either geographically or by value. For example, certain neighborhoods could be denied eligibility for the program, or buildings with high average assessed value per apartment could be prohibited from participating. Another option would be to exclude very high valued apartments in particular neighborhoods from the program. With any of these examples, state approval is necessary.

The additional revenue would vary depending on precisely how the exclusion was defined. The current waste in the program is estimated at \$158 million in 2008 and will grow to \$213 million by 2011. While it is unlikely that an exclusion like the ones discussed above could eliminate all of the inefficiency, it should be possible to reduce the waste by at least 60 percent.

**PROPOSERS MIGHT ARGUE** that such inefficiency in the tax system should never be tolerated, particularly at a time when the city faces significant budget gaps. Furthermore, these unnecessary expenditures are concentrated in neighborhoods where the average household incomes are among the highest in the city. Since city resources are always limited, it is important to avoid giving benefits that are greater than were intended to some of the city's wealthiest residents.

**OPPOSERS MIGHT ARGUE** that even if the abatement were changed in the name of efficiency, the result would be to increase some apartment owners' property taxes at a time when the city faces pressure to reduce or at least constrain its very high overall tax burden. In addition, those who are benefiting did nothing wrong by participating in the program and should not be "punished" by having their taxes raised. The abatement was supposed to be a stopgap and had acknowledged flaws from the beginning. The city has had more than six years to come up with a revised program, but so far has failed to do so.

# OPTION: Secure Payments in Lieu of Taxes from Colleges and Universities

---

Revenue:  
\$65 million annually

UNDER NEW YORK STATE LAW, real property owned by colleges and universities used in supporting their educational purpose is exempt from the city's real property tax. This exemption is expected to cost the city \$258.2 million<sup>1</sup> in 2008 in foregone property tax revenue (often called a "tax expenditure"). Exemptions for student dormitories and additional student and faculty housing will represent 25.2 percent (\$65.1 million) of this total. Under this option, private colleges and universities in the city would make payments in lieu of taxes (PILOTs), either voluntarily or through legislation. A PILOT of 25 percent of the total tax expenditure would equal \$65 million.

As an alternative, New York State could make the PILOT payments to New York City for the colleges and universities. The exempt institutions would continue to pay nothing. This fiscal year, the state of Connecticut will reimburse local governments for 77 percent of the tax revenue foregone on tax-exempt property owned by colleges, universities, and hospitals. Rhode Island also reimburses local governments, though at a lower percentage than Connecticut.

**PROPOSERS MIGHT ARGUE** that colleges and universities consume valuable city services, including police and fire protection, without paying their share of the property tax burden, while for-profit employers and residents must pay the bill. They also could contend that private colleges and universities generally serve a wider community beyond the city and that it is appropriate to shift some of the burden of city services supporting universities and colleges to that broader community. Finally, they might point to several other cities with large private educational institutions that collect PILOT payments, either directly from the institutions or from their state governments. These include large cities (such as Boston, Philadelphia, Providence, New Haven, and Hartford) and smaller cities (such as Cambridge and Ithaca).

**OPPOSERS MIGHT ARGUE** that colleges and universities provide employment opportunities, purchase goods and services from city businesses, provide an educated workforce, and enhance the community through research, public policy analysis, cultural events, and other programs and services. Opponents also could argue that the tax exemption on faculty housing encourages faculty to live in the city, pay income taxes, and consume local goods and services.

<sup>1</sup>At present, there is little incentive for either the city or the academic institutions to obtain the most accurate assessment possible. If as a result of this option, payments began to be based on better assessments of university property, the assessed values might change significantly.



## OPTION: Extend the General Corporation Tax to Insurance Company Business Income

---

Revenue:  
approximately \$250 million annually

INSURANCE COMPANIES ARE THE ONLY LARGE CATEGORY OF BUSINESSES that are currently exempt from New York City business taxes; the city's insurance corporation tax was eliminated in 1974. Insurance companies are subject to federal and state taxation. In New York State, life and health insurers pay a 7.5 percent tax on net income (or alternatively, a 9.0 percent tax on net income plus officers' compensation, or a 0.16 percent tax on capital) plus a 1.5 percent tax on premiums; nonlife insurers covering accident and health premiums pay a 1.75 percent tax on premiums; all other nonlife insurers pay a 2.0 percent tax on premiums.

Almost all states with insurance taxes provide for retaliatory taxation, under which an *increase* in State A's tax on the business conducted in A by insurance companies headquartered in State B will automatically trigger an increase in State B's tax on the business conducted in B by companies headquartered in State A. Like other states, New York includes a credit for retaliatory taxes in its insurance tax.

Reimposing the New York City tax on insurance companies would raise the combined state and local insurance tax rate in New York substantially above the national average and trigger widespread tax retaliation. However, the Department of Finance has suggested in its tax expenditure reports that extending the city's general corporation tax to insurance companies—that is, taxing the net income they earn in the city but not the premiums they are paid—could result in a less adverse retaliatory impact. State approval would be required for these changes.

PROponents MIGHT ARGUE that this tax would put insurance companies on more equal footing with other incorporated businesses in New York City. Retaliatory taxes would probably be imposed only by the states that retaliate against general corporate income taxation of insurance companies, avoiding the more widespread retaliation that would be triggered by a separate insurance corporation tax.

OPponents MIGHT ARGUE that enough states base retaliation on total taxes and fees paid by insurers to make retaliation to a city general corporation tax on insurance companies a serious problem. More broadly, any extension of business income taxes would make New York City's tax structure less "city-like": New York is one of the few U.S. cities with business and personal income taxes, and these are on top of the more typical property and sales taxes also levied here. The additional taxes are often the focus of complaints that New York City is overtaxed and not business-friendly.

# OPTION: Eliminate the Cap on the Capital Tax Base in the General Corporation Tax

---

Revenue:  
approximately \$150 million annually

CORPORATIONS SUBJECT TO THE GENERAL CORPORATION TAX (GCT) must pay the largest of four basic calculations of liability: (1) 8.85 percent of net income allocated to New York City; (2) 2.655 percent of net income plus compensation paid to major individual shareholders allocated to New York City; (3) 0.15 percent of business and investment capital allocated to New York City; and (4) a \$300 alternative minimum tax.

In 1988, a corporation's allocated capital base was capped, for tax purposes, at a level limiting the amount of liability under alternative (3) to \$350,000. This cap affects all corporations with allocated net income less than approximately \$4.0 million, allocated net income plus compensation less than approximately \$13.2 million, and allocated business and investment capital greater than approximately \$233.3 million. In short, the affected firms are highly capitalized businesses with relatively low cash flows. By the Department of Finance's most recent published calculation, there were 44 such corporations in New York City, and they saved an average of a little less than \$3.3 million in GCT taxes each due to the cap. Eliminating the cap would require state legislation.

**PROponents MIGHT ARGUE** that for some of the firms with low net income in the current year the reason is previous losses carried forward rather than current financial difficulties. The capital tax base was established to insure that such firms do not avoid corporation taxes. The cap on capital tax base liability undermines the city's ability to prevent such avoidance. Alternatively, if the cap is retained, tightening restrictions on the use of tax preferences in calculating business and investment capital liability would make it less likely that the city is providing tax breaks to corporations that do not really need them.

**OPponents MIGHT ARGUE** that the recipients of this tax break (firms with large assets relative to income) tend to be manufacturing firms, and these include firms that truly are cash poor. Given the precarious position of manufacturers in New York City, the capital liability cap may serve to slow the erosion of manufacturing jobs here, easing the transition to the "New Economy." Moreover, any attenuation of New York City's uniquely heavy local business tax burdens lessens the competitive tax disadvantage of firms operating in the city.

## OPTION: Tax Laundering, Dry Cleaning, and Similar Services

---

Revenue:  
\$40 million annually

CURRENTLY, RECEIPTS FROM LAUNDERING, dry cleaning, tailoring, shoe repairing and shoe shining services are excluded from the city and state sales tax. This option would lift the exemption, broadening the sales tax base to include these services. It would result in additional revenue of about \$40 million annually.

**PROPONENTS MIGHT ARGUE** that laundering, tailoring, shoe repair, and similar services should not be treated differently from other goods and services that are presently being taxed. Existing tax distortions create economic bias toward consumption of these services. By including laundering, dry cleaning, and other services in the sales tax base the city would decrease the economic inefficiency created by differences in tax treatment. The bulk of taxes would be paid by more affluent consumers who use such services more frequently, slightly decreasing the regressive nature of the sales tax. The city's commitment to a cleaner environment, which is reflected in the various city policies that regulate laundering and dry-cleaning services, further justifies inclusion of these services in the sales tax base.

**OPPONENTS MIGHT ARGUE** that laundering, tailoring, shoe repair, and similar services are provided by the self-employed and small businesses, and these operators may not have accounting or bookkeeping skills and could have difficulties in collecting the tax. Some individuals and firms might be forced out of business. They could also argue that because a portion of laundering and dry cleaning receipts are actually paid by businesses (i.e. hotels and restaurants), bringing those services into the sales tax base would further increase the number of business-to-business transactions subject to the tax. They would point out that ideally, sales taxes should only be imposed on the final sale to a consumer; this is because when business-to-business transactions are taxed, the burden of the tax is shifted onto the consumer through an increase in the price of the good.

## OPTION: Impose Sales Tax on Capital Improvements

---

Revenue:  
\$259 million annually

THIS OPTION WOULD INCREASE CITY REVENUES by broadening the sales tax base to include capital improvement installation services. In New York, services such as landscaping and auto repair are taxed but other services to improve buildings or property such as the installation of central air systems, refinishing floors, and upgrading electrical wiring are not subject to sales tax. If New York City taxed capital improvements, it could collect an additional \$259 million.

PROPOSERS MIGHT ARGUE that there is no economic distinction between capital improvements and other services and goods that are currently taxed: broadening the base would ensure a more neutral tax structure and decrease differential tax treatment. The present tax structure creates consumption distortions, which this proposal would diminish. It also might be argued that the sales tax as a whole would become less regressive since expenditures on capital improvement services rise as income rises.

OPPONENTS MIGHT ARGUE that this proposal could reduce the number of people employed in the capital improvement services. Small independent contractors and small firms, burdened by additional taxation, might leave the business or attempt to evade the tax. The tax would also produce a small disincentive to improve real property. They also could argue that because a portion of capital improvements are directed at improvement of business property, bringing those services into the sales tax base would further increase the number of business-to-business transactions subject to the tax, and businesses would in turn shift the burden of the tax onto consumers by increasing prices. They would point out that, ideally, sales taxes should only be imposed on the final sale to a consumer.

## OPTION:

# Tax on Cosmetic Surgical and Nonsurgical Procedures

---

### Revenue:

Approximately \$65 million per year

FEES FOR MEDICAL PROCEDURES are currently not subject to state or city sales tax. Under this option, both surgical and nonsurgical cosmetic procedures would be subject to the city sales tax. In 2006 cosmetic procedures by board-certified physicians yielded \$11.4 billion in fee payments, nationwide. (This total did not include procedures that were reconstructive rather than cosmetic. Nor did it include fees for facilities, anesthesia, medical tests, prescriptions, and other ancillaries.) We estimate that over \$1.4 billion was generated in New York City. The amount of additional revenues generated in the city by fees for facilities and other ancillaries, as well as by noncertified cosmeticians or “facialists” for procedures such as dermabrasions and chemical peels, is unknown, and is not factored into the tax revenue estimate provided above.

PROPONENTS MIGHT ARGUE this is a lucrative fee-for-service industry. While medical training and certification is required to perform all of the surgical and most of the nonsurgical procedures, the procedures themselves have primarily aesthetic rather than medical rationales. The American Medical Association (AMA) distinguishes cosmetic surgery, which is “performed to reshape normal structures of the body in order to improve the patient’s appearance and self-esteem,” from reconstructive surgery, which is “performed on abnormal structures of the body... generally... to improve function, but [it] may also be done to approximate normal appearance,” and recommends that the latter, but not the former, be included in standard health benefits packages. For tax purposes, there is no reason to treat cosmetic enhancements differently than cosmetic products. They could also argue that with the introduction of a tax on cosmetic procedures in New Jersey in 2004, the potential border effects (tax-driven shifts in economic activity) of a New York City tax would be limited.

OPPONENTS MIGHT ARGUE rather than seeing cosmetic procedures as luxuries, people increasingly regard them as vital to improving self-esteem and general quality of life. As the purview of medicine extends to not just curing illness, but promoting wellness, quality of life improvements are more and more being considered health necessities. Health benefits never should be subject to a sales tax, and it will not suffice to tax procedures not covered by insurance, because insurers do not provide consistent guidelines. Furthermore, market surveys indicate that cosmetic surgical and nonsurgical procedures are sought by persons at all income levels. The burden of a tax on these procedures would therefore not fall only on the wealthy.

## OPTION: Restaurant Tax

---

Revenue:  
\$34 million to \$216.1 million annually,  
depending on rate and base

SEVERAL STATES AND CITIES (including Washington DC, Dallas, Mississippi, Utah, North Dakota, and Minnesota) impose an additional tax on food and beverage sales made by restaurants. The revenues from these taxes are often dedicated to tourism and economic development projects, although recently there has been some movement to use the receipts to fund general budget needs. The structure of the “restaurant tax” varies widely from a tax on all food and drink prepared in restaurants for consumption on the premises, to a combination “meals and lodging” tax computed on the basis of hotel charges, covering meals in hotel restaurants. Chicago, for instance, imposes an additional quarter of a percent tax on restaurant meals that is dedicated to tourism-related activities.

In New York City, restaurant revenue is estimated to have reached \$14 billion in 2007. Under the current city sales tax of 4 percent, roughly \$559 million is collected. (Combined with the state and the Metropolitan Transportation Authority taxes, the total sales tax rate in the city is 8.375.) Adding an additional quarter of a percent to the city rate would bring in roughly \$34.2 million; adding 1.25 percent, which would bring the combined total rate to 10 percent, would bring in \$216.1 million. In both cases, we assume a slight decrease in the sales base (2 percent and 5 percent, respectively) as customers adjust their dining habits in response to the higher final price. This would require state legislation to enact.

**PROponents MIGHT ARGUE** that imposing a small increase in the sales tax for restaurant meals would mean substantial revenue with only minimal economic disruption. By only taxing food prepared in restaurants, the tax would affect only those choosing to eat at restaurants—the tax could be avoided. In addition, with the large number of visitors and commuters, not all the additional revenue would be extracted from the pockets of city residents.

**OPponents MIGHT ARGUE** that imposing a higher tax rate on restaurant food and drink would directly harm this extensive part of the city’s service sector, especially its many low-wage workers. It could cause further indirect harm by making New York City somewhat less desirable as a tourist destination, hurting other parts of the local economy. In addition, eating out may not be the “luxury” it may have been in the past, and is more common in New York than in many other parts of the country.

## OPTION: Increase the Fine for Recycling Violations

---

Revenue:  
\$2.7 million to \$8.2 million annually

IN 2007, THERE WERE 145,500 CITATIONS GIVEN TO CITY RESIDENTS AND BUSINESSES for violating city recycling rules. Approximately 87 percent of those deemed valid were paid in full. This is a very high yield rate compared to those of other city violations. But the size of a recycling violation fine is one of the city's lowest. At \$25, the fine for a first violation has not increased since it was set in Local Law 19 of 1989. While the fine's low cost undoubtedly contributes to its high payment rate, it may not deter future violations as well as a higher fine might.

An increase in the recycling fine from \$25 to \$50 was proposed for fiscal year 2003, but it never received City Council approval. It was thought that an increase would be unfair to residents confronting changes in the recycling program that year, as glass and plastics recycling was temporarily suspended from the program. The base fine for all other sanitation violations increased from \$50 to \$100 in 2004.

If the base fine for recycling violations was doubled to \$50, revenue would likely grow by \$2.7 million. If the base fine was raised to the current level of other sanitation fines (\$100), the city could expect an additional \$8.2 million in revenue. (These estimates do not assume that the current payment rate would decline as the fine amount increases.)

**PROponents MIGHT ARGUE** that because a \$25 fine brings little in the way of deterrence to city residents who violate recycling rules, an increase would give added force to the recycling program at a time when New Yorkers may be questioning the city's commitment to recycling. Aside from obvious environmental benefits, a recent IBO analysis also found that more recycling would lower the city's cost per ton for collecting recyclables curbside.

**OPponents MIGHT ARGUE** that a higher fine would place an undue burden on landlords and building owners because it is difficult to single out violators within large apartment buildings. Without individual accountability for recycling, any increase to the fine would do little to deter violations. Furthermore, many violations may be attributed not to building residents at all, but to those who break open bags looking for redeemable bottles and cans. Lastly, opponents might argue, the recent and multiple changes to the recycling program have confused residents and an increase at this time would unfairly capitalize on this confusion.

## OPTION: Institute a Residential Permit Parking Program

---

**Revenue:**

\$2 million in 2009, \$4 million in 2010,  
and \$6 million in 2011

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 further in subsequent years.

On-street parking has become increasingly difficult for residents of many New York City neighborhoods. Often these residents have few or no off-street parking options. Areas adjacent to commercial districts, educational institutions, and major employment centers attract large numbers of outside vehicles. These vehicles compete with those of residents for a limited number of parking spaces. Many cities, faced with similar situations, have decided to give preferential parking access to local residents. The most commonly used mechanism is a neighborhood parking permit. 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 of time, permit programs can make parking easier for residents.

Under the proposal, permit parking zones would be created in selected areas of the city. Within these zones, only permit holders would be eligible for on-street parking for more than a few hours at a time. Permits would be sold primarily to neighborhood residents, although they might also be made available to nonresidents and to local businesses. IBO has assumed an annual charge of \$100, with administrative costs equal to 20 percent of revenue.

**PROPOSERS MIGHT ARGUE** that residential permit parking has a proven track record in other cities, and that the benefits to neighborhood residents of easier parking would far outweigh the fees. Most neighborhoods have ample public transportation options, and in many cases paid parking is available as well; these alternatives coupled with limited-time on-street parking should allow sufficient traffic to maintain local business district activity. Indeed, they could argue, one of the principal reasons for limiting parking times in commercial districts is to facilitate access to local businesses by drivers by ensuring turnover in parking spaces.

**OPPOSERS MIGHT ARGUE** that it is inherently unfair for city residents to have to pay for on-street parking in their own neighborhoods. Opponents also might worry that despite the availability of public transportation or off-street parking, businesses located in or adjacent to permit zones may experience a loss of clientele, particularly from outside the neighborhood, because more residents would take advantage of on-street parking. Some opponents may note that in cities and towns that already have residential permits, it appears to have worked best in neighborhoods where single-family homes predominate.



## OPTION: Charge for Film and Television Permits

---

Revenue:  
\$7.4 million annually

NEW YORK CITY IS A VERY POPULAR site for shooting movies, television shows, commercials, and music videos. In 2007 the number of location shooting days in New York City was 28,594 and the average over the last four years was about 29,500. The winter 2004 issue of *MovieMaker Magazine* labeled New York the number one filming location for independent moviemaking. The Mayor's Office of Film, Theatre, and Broadcasting coordinates all filming in New York City, and serves as a "one-stop-shop" for permits and logistical assistance. Filmmakers are not charged a fee for these filming permits. In addition, they are exempt from state and most local sales taxes and the state recently adopted a tax credit for film and television production. This proposal would charge \$250 per day for film and television permits, raising \$7.4 million in annual revenue for the city.

PROponents MIGHT ARGUE that filmmaking consumes city services such as police and sanitation, uses city property, and disrupts neighborhoods. Charging a fee for filming permits will compensate the city for some of the expenses it incurs. Furthermore, there are no substitutes for New York City, they argue: Filmmakers who want to include images of the city's skyline and landmarks must film in the city, so imposing a moderate permit fee will not materially affect the costs of production. In addition, New York provides a valuable service to filmmakers through its "one-stop-shop" permitting process, for a fee well below the cost of city services. Finally, other major filming locations, such as Vancouver (Canada) also charge a fee for filming permits.

OPponents MIGHT ARGUE that imposing a permit fee would undermine the Made in New York Tax Incentive Program. They might argue that the incentive program, which consists of state and city tax credits for productions filmed in the city, was implemented because New York was facing an exodus of filmmakers who were leaving for cheaper locations. The number of shooting days declined in New York City in 2007 by 17.6 percent from the record 34,718 in 2006; therefore, the imposition of even a moderate permit fee could have an effect on number of shooting days. In addition, the Canadian government rebates 22 percent of labor costs directly to filmmakers which has encouraged more filmmakers to work in Canada. New York City cannot afford to lose further films to Canada or other locations. The film industry is important to the city's economy, which according to the Mayor's Office of Film, Theatre, and Broadcasting, brings in over \$5 billion annually and employs about 100,000 New Yorkers.

## OPTION: Convert Multiple Dwelling Registration Flat Fee to Per Unit Fee

---

Revenue:  
\$2.8 million annually

OWNERS OF RESIDENTIAL BUILDINGS with three or more apartments are required to register their building annually with the Department of Housing Preservation and Development (HPD). The fee for registration is \$13 per building. In 2008, the city expects to collect \$1.6 million in multiple dwelling registration fees. Converting the flat fee to a \$2 per unit fee would increase the revenue collected by HPD by \$2.8 million annually (assuming a 90 percent collection rate).

PROPOSERS MIGHT ARGUE that much of HPD's regulatory and enforcement activities take place at the unit, rather than building, level. Tenants report maintenance deficiencies in their own units, for example, and HPD is responsible for inspecting and potentially correcting these deficiencies. Therefore a building with 100 units represents a much larger universe of possible activity for HPD than a building with 10 units. Converting the registration flat fee to a per unit basis more equitably distributes the cost of monitoring the housing stock in New York City. They also would argue that a \$2 per unit fee is a negligible fraction of the unit's value, so it should have little or no effect on landlords' costs and rents.

OPPONENTS MIGHT ARGUE that, by law, fees and charges must be reasonably related to the services provided, and not simply a revenue generating tool. Simply registering a building should not be a costly activity for the city. They also might express concern about adding further financial burdens on building owners, particularly after the 2003 property tax rate increase.

# OPTION:

## Expansion of the Bottle Bill and Return of Unclaimed Deposits to Municipalities

---

Revenue:  
\$55 million annually

THIS PROPOSAL INVOLVES TWO SEPARATE ACTIONS, both included in proposed state legislation. First, the state's bottle bill, which requires a 5 cent deposit on certain beverage containers, would be expanded to include all carbonated and noncarbonated beverages, except milk and those alcoholic beverages not already included. Second, instead of the beverage distributor retaining the unredeemed deposits, they would be returned to local jurisdictions in proportion to local sales.

Currently, New York State's bottle bill covers beer and other malt beverages; carbonated soft drinks; mineral and soda water; and wine coolers sold in glass, metal, or plastic containers of up to 1 gallon. Under the current deposit system, a minimum of 5 cents deposit is collected by the distributor for each filled container sold. The retailer, in turn, charges the consumer 5 cents. When the consumer brings a bottle in for redemption, the consumer receives the 5 cents back from the retailer and the retailer is reimbursed the 5 cents from the distributor for the empty container. However, if more containers are sold than redeemed, there is a balance of deposits left with the distributor. Under the current bottle bill the unredeemed deposits are not required to be returned to the state or municipality and therefore are simply retained by the distributor.

Recently, several amendments have been added to the proposed state legislation. These include several provisions that would help New York City residents and businesses to comply with the law. First, the new legislation would allow dealers in New York City to limit the number of containers they accept to 72 per person per day—rather than the current limit of 240—under certain conditions. Second, municipalities and nonprofits operating redemption centers would be allowed to be reimbursed for their costs by a state funding stream for recycling projects.

Estimates of the number of containers sold in New York City vary. Depending on the number of containers sold, the city could receive a minimum of \$38 million under the current bottle bill. With the proposed expansion, the potential revenue increases to at least \$55 million each year. Cost savings would likely result as additional materials are diverted from city-managed refuse and recycling collection and disposal.

**PROponents MIGHT ARGUE** that such a change in the current legislation would help the environment by reducing waste, and could provide a source of funding for the city's recycling and waste reduction programs. In addition, expansion of the types of beverage containers covered would provide additional income to the city's cottage industry of bottle redeemers and reduce litter on city streets and in parks. Finally, proponents might argue that the diversion of additional materials from the waste stream managed by the Department of Sanitation would lower expenditures on collection and disposal operations.

**OPponents MIGHT ARGUE** the cost to consumers for these products would increase because bottlers and distributors would not be able to offset their additional recycling, handling, and processing costs with unredeemed deposits. Bottlers also worry about potential fraud with "border crossers"—people in neighboring states without deposits will bring their containers to New York to redeem the deposit, even though they were not purchased in New York. Finally, New York City retailers—especially small bodegas and delis—argue that they already lack sufficient space to handle and store returned containers. Many refuse to redeem containers now.

## OPTION: Charge for Freon/CFC Recovery

---

Revenue:  
\$2.5 million annually

CHLOROFLUOROCARBON (CFC) gas, also known as Freon, is considered a major contributor to the deterioration of the earth's ozone layer and global warming. Before discarding any freezer, refrigerator, water cooler, dehumidifier, air conditioner, or other type of appliance containing CFC, city residents are required to schedule an appointment for the recovery of the CFC. There is no charge for this service, although it must be completed in order to have the appliance removed by the city's Department of Sanitation on a regular recycling collection day—an item that has had the CFC recovered is “tagged” to indicate that it is ready for collection and disposal. In most other large municipalities, residents are charged between \$25 and \$100 for CFC removal.

According to sanitation department records, 99,783 appliances were tagged for CFC recovery in 2007. The CFC recovery is done by sanitation workers who have completed CFC recovery certification. There are currently 56 certified CFC recovery uniformed workers and eight civilian mechanics who maintain the vehicles used by the recovery workers, as well as two clerical aides responsible for setting up the recovery appointments. Charging \$25 per appointment would garner the city roughly \$2.5 million annually, approximately the personnel costs for the CFC recovery program. At \$75 per appointment, the city could collect about \$7.5 million, easily covering the personnel and capital costs for the CFC recovery program and providing a funding stream for other programs.

**PROPOSERS MIGHT ARGUE** that charging a fee for CFC recovery is appropriate because it is a service rendered directly to the resident or business. They could note that most other municipalities charge for CFC recovery.

**OPPOSERS MIGHT ARGUE** that charging for CFC removal might lead to illegal dumping. In addition, they might express concern about the burden of mandatory charges on low-income households.

# OPTION: Charge Fees for Assessment Appeals at the Tax Commission

---

Revenue:  
\$2.6 million annually

THE TAX COMMISSION serves as the city's administrative review body for property tax assessments set by the Department of Finance. In 2006, the Tax Commission received about 40,000 appeals applications. These applications were a small percentage of the total number of properties in the city, but were disproportionately filed by owners of apartment buildings and commercial properties, especially in Manhattan. The Tax Commission charges no fees at present for this service, and is currently budgeted at about \$3.1 million, an amount that is about the same as would be raised by this option. This proposal would institute a filing fee of \$40 per applicant, and an additional \$50 fee for applicants who proceed to a hearing before Tax Commission members. Approximately 50 percent of all applicants reached the hearing stage in 2006.

**PROPOSERS MIGHT ARGUE** that this service is heavily used by owners of real property who would find these nominal fees far from onerous. Moreover, the initiation of fees might appropriately reduce the Tax Commission's workload and eliminate those who appeal "because they have nothing to lose," i.e. the appeals are free and the Tax Commission has no power to raise assessments, only to lower them. The presence of fees might act to reduce both the sheer number of applicants and the numbers requesting a formal hearing, which is optional. Moreover, other cities, for example San Francisco, charge separate fees for filing, hearing appeals, and even for receiving written findings from the hearing. A share of the funds generated from fees could be used for ongoing operations or to provide support for desired improvements.

**OPPONENTS MIGHT ARGUE** that the Tax Commission has historically provided this service at no cost and should continue to do so, and that a property owner has a fundamental right to pursue claims of over assessment without the hurdle of application fees every year. They also might argue that the fees might drive away property owners who legitimately feel that they have been over assessed by the Department of Finance, but who do not want to spend money pursuing their claim. That would undercut the Tax Commission's role as a check on maintaining the fair distribution of existing property tax burdens.

## OPTION: Restore the Fare on the Staten Island Ferry

---

Revenue:  
\$4.3 million annually

THIS OPTION WOULD RESTORE THE FARE charged to passengers who board the Staten Island Ferry as pedestrians, beginning in July 2008. Until July 4, 1997, pedestrians paid a round-trip fare of 50 cents. As part of the state and city's efforts to promote a "one city, one fare" policy, fares were abolished at the same time that free MetroCard subway and bus transfers were instituted. Fares are still in place for vehicles (\$3 regular fare, \$2 for carpools, and \$1.50 for senior citizen drivers, all collected each way), but vehicle service has been suspended since the attacks of September 11, 2001.

The Staten Island Ferry is operated by the city Department of Transportation, and in 2007 had around 19 million riders. If and when vehicles are allowed back on the ferry, pedestrians will still make up the vast majority of passengers. Gross revenues from a 50 cent round-trip fare would be slightly over \$4.7 million per year. Assuming collection costs equal to 10 percent of fares, net revenue would be roughly \$4.3 million annually.

Beginning March 2008, Staten Island residents who use the Verrazano Narrows Bridge pay a toll of \$4.98 (charged going into the borough only) using E-ZPass, or \$6.70 using tokens. Residents traveling in vehicles with three or more occupants have the option of using prepaid coupons costing \$2.33 per crossing (also paid only going into Staten Island). Express bus riders traveling from Staten Island to Manhattan pay a \$5.00 cash fare each way, with discounts available using MetroCard. Finally, travelers who take local buses over the Verrazano Narrows Bridge to Brooklyn pay a cash or MetroCard fare. While these riders can then transfer free of charge to a bus or subway, for travel to Manhattan this is a very time-consuming option.

**PROPOSERS MIGHT ARGUE** that ferry riders should be expected to pay at least a nominal share of the service costs. The Staten Island Ferry's operating expenses have increased dramatically in recent years, due to additional safety and antiterrorist measures. According to the Mayor's Management Report for fiscal year 2007, the operating expense per passenger for the Staten Island ferry was \$4.62. If the 25 cent fare were restored, passengers would be paying well under 10 percent of the cost of a ride. In contrast, fares on New York City Transit subways and buses cover more than half of operating expenses.

**OPPOSERS MIGHT ARGUE** that charging ferry riders would contradict the "one city, one fare" policy started by the Giuliani Administration. Once MetroCard readers were installed through the transit system, free transfers between buses and subways were instituted. As a result, a majority of transit users in New York City can now make their trips with only one fare. However, according to an analysis by IBO of data from the Regional Transportation-Household Interview Survey, a majority of Staten Island residents who use the ferry to travel to Manhattan still pay more than one fare to get to their final destination. In addition, ferry riders are on average less affluent than express bus riders, and face longer total travel times.

## OPTION: Charge a “Tourist” Fare on the Staten Island Ferry

---

Revenue:  
Up to \$3.4 million annually

THE STATEN ISLAND FERRY is used not only by Staten Islanders commuting to work in Manhattan, but has also become a tourist destination in its own right—perhaps because of the striking views it provides of the downtown skyline, Statue of Liberty, and Ellis Island. Of the roughly 19 million trips taken on the ferry each year, an estimated 3.6 million are riders from outside the New York metro region, and an additional 0.7 million are weekend excursionists from the region, excluding Staten Island itself. Imposing a round-trip fare of \$4.00 on these users—while providing an annual pass at a nominal charge to regular commuters and Staten Island residents—would bring in an estimated \$3.4 million in fare revenues annually, after operating and maintenance costs.

**PROPOSERS MIGHT ARGUE** that tourists visiting New York City would still be getting a bargain to pay \$4.00 to ride the Staten Island Ferry across New York Harbor and back, or visit Staten Island and its recently revitalized St. George waterfront area and other attractions. Operating costs for the ferry have risen from \$40 million in 2003 to nearly \$90 million budgeted for 2008, due to a combination of security needs, rising fuel costs, and increased service frequency. Currently, no fare is charged. Charging a fare to visitors would bring in at least some revenue to help offset these rising costs. Continuing to not charge regular users a fare maintains the “one-city, one-fare” policy, allowing any mass transit user to get from any point in the city to any other for a single fare.

**OPPOSERS MIGHT ARGUE** that establishing a tourist fare would unfairly impose a charge for a service on one class of users and not another. They might also be concerned about the impact on Staten Island if a fare were to curtail the number of visitors to the St. George minor league ballpark and surrounding waterfront, and to other cultural attractions on Staten Island such as the Snug Harbor Cultural Center. Finally, opponents might worry that charging a fare to tourists would open the way to eventually charging all users.

## OPTION: Toll the East River and Harlem River Bridges

---

Revenue:  
\$830 million annually

THIS PROPOSAL, analyzed in more detail in the IBO report *Bridge Tolls: Who Would Pay? And How Much?* involves placing tolls on 12 city-owned bridges between Manhattan and Queens, Brooklyn, and the Bronx. In order to minimize backups and avoid the expense of installing toll booths or transponder readers at both ends of the bridges, a toll equivalent to twice the one-way toll on adjacent Metropolitan Transportation Authority (MTA) facilities would be charged to vehicles entering Manhattan, and no toll would be charged leaving Manhattan. The automobile toll on the four East River bridges would be \$8.30, equal to twice the one-way E-ZPass toll in the MTA-owned Brooklyn-Battery and Queens-Midtown Tunnels. The automobile toll on the eight Harlem River bridges would be \$3.80, equal to twice the one-way E-ZPass toll on the MTA's Henry Hudson Bridge. A ninth Harlem River bridge, Willis Avenue, would not be tolled since it carries only traffic leaving Manhattan.

Estimated annual toll revenue would be \$590 million for the East River bridges and \$240 million for the Harlem River bridges, for a total of \$830 million. On all of the tolled bridges, buses would be exempt from payment. IBO's revenue estimates assume that trucks pay the same tolls as automobiles. If trucks paid more, as they do on bridges and tunnels that are currently tolled, there would be a corresponding increase in total revenue. IBO estimates that exempting all city residents from tolls would reduce revenues by more than half, to \$376 million.

**PROPOSERS MIGHT ARGUE** that the tolls would provide a stable revenue source for the operating and capital budgets of the city Department of Transportation. Many proponents could argue that it is appropriate to charge a user fee to drivers to compensate the city for the expense of maintaining the bridges, rather than paying for it out of general taxes borne by bridge users and non-users alike. Transportation advocates argue that, although tolls represent an additional expense for drivers, they can make drivers better off by guaranteeing that roads, bridges, tunnels, and highways receive adequate funding. Some transportation advocacy groups have promoted tolls not only to generate revenue, but also as a tool to reduce traffic congestion and encourage greater transit use. Peak-load pricing (higher fares at rush hours than at non-rush hours) is an option that could further this goal. If more drivers switch to public transit, people who continue to drive would benefit from reduced congestion and shorter travel times. A portion of the toll revenue could potentially be used to support improved public transportation alternatives. Finally, proponents might note that city residents or businesses could be charged at a lower rate than nonresidents to address local concerns.

**OPPOSERS MIGHT ARGUE** that motorists who drive to Manhattan already pay steep parking fees, and that many drivers who use the free bridges to pass through Manhattan already pay tolls on other bridges and tunnels. Many toll opponents may believe that it is particularly unfair to charge motorists to travel between Manhattan and the other boroughs. These opponents draw a parallel with transit pricing policy. With the advent of free MetroCard transfers between buses and subways, and the elimination of the fare on the Staten Island Ferry, most transit riders pay the same fare to travel between Manhattan and the other boroughs as they do to travel within each borough. Tolls on the East River and Harlem River bridges would make travel to and from Manhattan more expensive than travel within a borough. In addition, because most automobile trips between Manhattan and the other boroughs are made by residents of the latter, inhabitants of Staten Island, Brooklyn, Queens, and the Bronx would be more adversely affected by tolls than residents of Manhattan. An additional concern might be the effect on small businesses. Finally, opponents may argue that even with E-ZPass technology, tolling could lead to traffic backups on local streets and increased air pollution.



*This Report Prepared By:*

*Coordinators:*

Ana Ventura and Paul Lopatto

*Analysts:*

Eldar Beiseitov, David Belkin, Ana Champeny, Brendan Cheney, Martin Davis, Patryk Drozdik, Michael Jacobs, Joshua Mason, Bernard O'Brien, Nashla Rivas Salas, Yolanda Smith, Kerry Spitzer, Shari Strauss, and Alan Treffeisen

*Editorial Assistance:*

Nicole Fleming

*Production Coordinator:*

Tara Swanson



**IBO**  
New York City

**Independent Budget Office**

**Ronnie Lowenstein, Director**

**110 William St., 14th Floor • New York, NY 10038**

**Tel. (212) 442-0632 • Fax (212) 442-0350**

**e-mail: [iboenews@ibo.nyc.ny.us](mailto:iboenews@ibo.nyc.ny.us) • <http://www.ibo.nyc.ny.us>**