Revenue Options

Bring Civil Service Test Fees in Line With Costs

Revenue: $14 million annually

New York State's civil service system was implemented in 1883 in the wake of President Garfield's assassination by a disgruntled patronage seeker. The system, enshrined in the state constitution, serves as a bulwark against the temptation by elected officials to use their office to enrich supporters. According to the Department of Citywide Administrative Services (DCAS), 80 percent of the city's job openings are currently filled through competitive civil service exams. Potential employees are hired from merit-based lists that are established through exams that are either open to the public or taken by civil servants seeking promotions. Each public-sector civil service exam has an application fee that the applicant must pay to DCAS. According to the 2021 Mayor's Management Report, DCAS received an average of 106,000 applications for civil service exams over the prior five years.

Legal precedent in New York has authorized municipal governments to charge fees for services, so long as the fees do not exceed the cost of administering the program or service for which the fee is applied. New York City's civil service exam fee schedule was last updated in 2011; even after this update, the city spent $18.1 million on average each year on exam development and administration while collecting $7.5 million in fee revenue. Based on projections in the April 2021 Financial Plan, it is estimated that the city will spend $14 million more annually on exam development and administration than it collects in exam fee revenue. Under this option, civil service exam fees would increase, aligning the fee schedule with the current cost of developing and administering the city's civil service exams.

New York City's civil service exam fees are determined by the minimum of the salary range of the title for which the exam is given. The current fee schedule includes differing fees across 11 salary ranges. As a result, the annual revenue derived from civil service exam fees varies from year to year based upon what type of exams are given and the salary ranges for those positions. The average exam payment has been approximately $59 since 2012; under this option the average payment would increase to $192.

Proponents might argue that permanent civil service appointments provide access to benefits and job protections that are unique to public-sector employment. Increased civil service exam fees would enable DCAS to devote resources to alternative recruitment, retention, and human capital projects to continue modernizing city hiring. In addition, supporters could point out that the exam fee schedule has not been updated in nearly a decade while the city's cost of developing and administering the exams have continually risen.

Opponents might argue that the city's civil service system is difficult to navigate and understand for many job seekers. The process often takes many months if not years and can be a deterrent for many applicants. Increasing exam fees would be another barrier that restricts the pool of applicants. Increased exam fees would remove incentives for the city to become more cost effective and efficient in the exam delivery process.

Prepared by Robert Callahanr

Revenue Options

Resume Water Board Rental Payments

Revenue: $107 million in 2021, $244 million annually in the following years

The New York City Water Board establishes water rates and uses the revenue to operate and maintain the city's water and sewer system. Historically, the Water Board has paid the city a rental payment for use of the city-owned water system. When the city collects the payment from the nominally independent Water Board, it is deposited into the city's general fund. The lower the Water Board's rental payment to the city, the less the board must raise through water and sewer bills. Conversely, the higher the rental payment, the more that must be raised through water and sewer bills. In 2016, the de Blasio Administration reduced the rental payment to $138 million, and then eliminated it entirely starting in 2017. Prior to its elimination, the payment was substantial, totaling over $200 million in some years.

The size of the rental payment the city can collect is capped at 15 percent of the annual debt service on New York City Water Authority bonds, currently $244 million. The Water Board is required to hold the total 15 percent in reserve each year, but only makes the payment for that year—which can be any amount up to the cap—if requested by the city. Accordingly, when the Covid-19 crisis began and projected tax revenues decreased, the de Blasio Administration tapped this revenue source, bringing the city $128 million of additional general fund revenue in 2020 and $137 million in 2021. So far, the city has not budgeted for rental payments beyond 2021, meaning there is room under the 15 percent cap to increase these payments by $107 million in 2021 and $244 million a year thereafter.

Ultimately, any increase in expenses to the Water Board will fall on ratepayers in the form of higher water rates. IBO previously calculated that a 20 percent reduction in the rental payment would reduce the annual rate increase by around 0.25 percent, so fully reinstating the rental payment would lead to an increase in water rates of around 1.25 percent. Given that the average water bill for a single-family home in New York City is currently about $1,100, this option would increase the average charge by about $14. The costs to ratepayers would be lower if the city chose to request less than the maximum rental payment allowed under the cap in future years.

Proponents might argue that city has historically collected rental payments from the Water Board, with the payments funded by property owners as part of their water bills. It is a ready source of additional revenue the city can access at the discretion of the Mayor and does not require any action or cooperation from others. An increase in water rates encourages the public to conserve water, which is good for the environment. In addition, the incremental increase in water bills for the average household is relatively small, yet the payments yield substantial revenue for the city.

Opponents might argue that requiring a rental payment on top of maintenance and operations funding for a critical city service is a revenue-enhancing sleight of hand and is simply a tax on water use. It is also unclear whether the rate hike would motivate any change in behavior, since water rates also include the costs of sewer maintenance costs, thereby diluting any price signal regarding water use. Increasing water costs is also regressive, since water bills make up a larger share of costs for lower income New Yorkers. Opponents could also note that large users of water, such as restaurants and hotels, are already hard hit by the pandemic and would shoulder the brunt of an across-the-board increase in water rates.

Prepared by Daniel Huber

Revenue Options

Charge a Fee for Curbside Collection of Nonrecyclable Bulk Items

Revenue: $44 million annually

The Department of Sanitation (DSNY) currently provides free removal of large items that do not fit in a bag or container as part of its residential curbside collection service. Bulk items that are predominantly or entirely metal, including washers, dryers, refrigerators, and air conditioners are collected as recycling, while all other bulk items are collected as refuse. Nonrecyclable bulk items, including mattresses, couches, carpet, and wood furniture, make up about 3.2 percent, or 93,000 tons, of New York City's residential refuse stream (61 bulk items per ton, in an average year). In 2020, the city spent $12.9 million to export and landfill these items.

This option would have DSNY institute a $15 fee for every nonrecyclable bulk item that they collect, generating around $44 million in revenue in the first year. The fee could be paid through the purchase of a sticker or tag at various retailers, such as grocery and convenience stores, or directly from DSNY's website. The sticker or tag would be attached to the bulk item, once it is placed at the curb, making proof of payment easy for sanitation workers to see. Items would continue to be collected on regular trash days.

This option assumes a 20 percent reduction in the number of bulk items thrown out for DSNY to collect in response to the fee, which itself would lead to a $2.4 million reduction in waste export costs due to fewer bulk items being sent to landfills. Administrative and enforcement costs are assumed to equal 20 percent of total revenue. Ten percent of the bulk items are assumed to be picked up erroneously, not having paid the fee and an additional 15 percent, representing bulk items weighing less than 15 pounds, are assumed to be shifted into the bagged refuse stream. Under this option, the collection of recyclable metal bulk items would continue to be provided without a fee. This estimate does not include fees for electronic bulk items, such as computers or televisions, which are banned from disposal and are handled through legally mandated free manufacturer take-back programs.

Proponents might argue that exporting waste to out-of-state landfills is expensive and having residents pay directly for their largest and heaviest items more directly aligns use of the service to the cost of providing the service. They could note that many other cities charge for bulk collection or limit the number of bulk items a property may have collected each year. Additionally, charging a fee for large refuse items would give residents some incentive to send less of their waste to landfills, either by donating their items for reuse or simply by throwing out fewer bulk items. Proponents could point to the city's NYC Stuff Exchange, which could help residents get rid of items they do not want without throwing them away and at no cost. They could also argue that any needed increases in enforcement for illegal dumping would be covered by the revenue generated by the collection fees and the summonses issued to violating properties.

Opponents might argue that his fee would be difficult to implement and enforce in a large, dense city such as New York. Instituting a fee for what was previously a free service could increase illegal dumping of bulk items, which could require increased spending on enforcement and be a nuisance to nearby residents. Multifamily buildings, which often gather all residents' garbage in common areas, could face more diffculties with this new charge, as the building owners would be responsible for their tenants' behavior. They could be burdened with untraceable items and forced to pay the fee on their tenants' behalf. Opponents could also argue that the flat fee is particularly burdensome for low-income residents. Lastly, they could argue that this fee would not reduce DSNY's tonnage very much because certain items, such as broken or heavily used furniture will have no potential for reuse and will have to go to a landfill eventually.

Revenue Options

Establish a Stormwater Utility Fee

Revenue: $88 million annually

New York City's sewer system consists of 6,000 miles of pipes and 14 treatment plants that process 1.3 billion gallons of stormwater and wastewater daily. The city's sewers are old and often under funded, and the majority mix stormwater and wastewater into the same channel. During heavy rain or snow storms, the system becomes overloaded and a mix of stormwater and wastewater is discharged directly into local waterways—billions of gallons of untreated sewerage and stormwater each year. A primary reason for this is the expanse of impermeable surfaces in the city, where water cannot soak into the ground and instead runs off into the sewers. Currently, 72 percent of the city's area is impermeable, although the city is developing a green infrastructure plan to reduce that number.

With a growing population, more frequent heavy precipitation, and increasingly stringent regulatory standards, New York's investment in green infrastructure and stormwater management will continue to grow, putting upward pressure on water rates. Facing similar challenges, over 500 U.S. municipalities have created stormwater utilities and designed a fee structure to provide a stable source of revenue and encourage development of green infrastructure.

In New York City, stormwater expenses are largely paid out of charges levied on the volume of water consumed. However, there is little or no correlation between consumption of water and the quantity of stormwater generated by a property. This raises equity concerns, as the properties consuming a substantial amount of the city's stormwater capacity are not necessarily the properties funding the maintenance of the system.

The Department of Environmental Protection currently devotes around $350 million per year to stormwater management. Under a stormwater fee system this expense would be funded directly from use of the stormwater infrastructure. IBO estimates that fees similar to those charged in other large cities ($8 per month per thousand square feet of impermeable area) would roughly cover the current spending. As a result, water rates, no longer driven by stormwater costs, would fall or rise more slowly. Properties with limited impermeable area would pay less, while properties with large impermeable areas would see their overall costs rise. Properties that do not currently pay water costs, such as garages, parking lots, and vacant lots, would pay the stormwater fee generating $88 million in new revenue each year. Although there are several methods to calculating the fee, a system that accurately measures surface permeability offers the strongest incentives for property owners to adopt green infrastructure and mitigate runoff.

Proponents might argue that by sending a price signal, property owners will have an incentive to reduce runoff, saving the city money and reducing pollution in local waterways. Implementing a fee would also generate revenue from properties that are heavy users of stormwater infrastructure but do not pay for it and provide a more stable revenue stream for necessary water infrastructure improvements. They may also point to how similar programs have been successfully implemented in other cities.

Opponents might argue that a stormwater fee could favor high-density areas, where the stormwater fee would be spread over more units in a single footprint, while facilities with large, low-density paved areas could see costs substantially increase. They also might be concerned about the cost of administrating the utility and maintaining a complex property database using multiple data sources. Excluding roadways and sidewalks, as this option does, could require action at the state level.

Updated October 2018

Prepared by Daniel Huber

Revenue Options

Establish a User Fee for Some Child Support Cases

Revenue: $3 million annually

The New York City Office of Child Support Enforcement (OCSE) offers a wide spectrum of services to custodial parents of children under 21 looking to collect child support, including locating the noncustodial parent and serving a summons, establishing paternity, securing child support orders, and collecting child support payments. In fiscal year 2017, OCSE collected $781 million from noncustodial parents, continuing a significant upward trend in child support collections. Over 90 percent of the funds collected went to families, providing a vital source of financial support to thousands of custodial parents and children. The remainder went to reimburse the city for some of the cost of public assistance grants paid to OCSE clients who were also receiving cash assistance.

The increase in child support payments reflects, in part, improvements in collecting payments from noncustodial parents with child support orders. However, the biggest factor driving increases in child support payments has been a shift in the composition of the child support caseload. As a result of the welfare reform policies of the 1990s, the number of families with minor children who are current or former public assistance recipients continues to shrink. At the same time, expanded outreach efforts by OCSE have increased demand for child support services from custodial parents who have never been on cash assistance. Families in this category are generally better off financially, which makes it more likely that noncustodial parents can be located and a court order established, have higher compliance rates, and make much higher average payments.

OCSE does not currently charge its clients for the child support services it provides. (New York State charges a fee of $25 per year to custodial parents who have never been on cash assistance and receive over $500 per year in child support.) Under this option, OCSE would charge custodial parents who have never been on cash assistance an annual fee equal to 1 percent of the child support collections they actually receive. IBO assumes that such a modest fee would not reduce the number of child support cases. Annual revenue from the new fee would total $3.3 million. This option would require state legislation.

Proponents might argue that OCSE provides these families with valuable services while saving them the cost of hiring a lawyer and other expenses they would likely incur if they sought child support payments on their own. The fee would only be charged in cases where OCSE succeeds in collecting court-ordered payments. Since the fee would be set as a share of actual collections, it would be paid primarily by higher income families.

Opponents might argue that the fee could discourage custodial parents from requesting help from OCSE, which could have negative consequences for their children. Opponents might also argue that the child support program already helps to pay for itself. A portion of collections from cash assistance cases is withheld by the city, providing a significant offset to public assistance grant costs. They might also contend that since child support collections likely keep many families off of social services programs by increasing their income, a change that discouraged families from using OCSE risks increasing caseloads and costs.

Prepared by Melinda Elias

Revenue Options

Impose a 50 Cent Surcharge on Hotel Room Nights to Fund NYC & Company

Revenue: $18 million annually

NYC & Company is a nonprofit organization tasked with marketing the city as a business and leisure tourist destination. The organization operates as a partnership between the city and the private sector, and its operations are funded by a mix of city tax revenue and private sources.

The city's contribution to NYC & Company has fluctuated in recent years. Funding was cut repeatedly to help close budget gaps, bringing it to an all-time low of $12.3 million in 2014. Beginning in 2017 the de Blasio Administration increased funding to $21.2 million. The uncertainty around the city contribution, however, has made it difficult for NYC & Company to plan its budget from year to year.

This option would replace most, if not all, of the city's annual contribution with a new $0.50 surcharge on hotel room nights. Revenue generated from the surcharge would be dedicated to NYC & Company. Since 2010, the city's hotel industry has thrived, with room-nights sold and room supply experiencing annual growth at a rate of roughly 5 percent. In 2017, the city sold a record 36.4 million hotel room nights and approximately 4,000 new rooms were added to the city's hotel inventory. Assuming the surcharge is too small to have an impact on the volume of hotel stays, this additional $0.50 charge would raise $18 million annually to support NYC & Company's operations and reduce the city contribution. Currently, visitors pay a total of 14.75 percent in sales and hotel occupancy taxes, plus a tax of $2.00 per room per night for rooms charging more than $40 per night and $1.50 per room per night to help finance the renovation of the Jacob Javits Convention Center. The surcharge would require an act of the State Legislature.

Proponents might argue that funding NYC & Company through a hotel surcharge instead of through the city's general fund frees up revenue for other initiatives or to help balance the city's budget. It also allows NYC & Company to plan its future budgets free from the politics of the city's annual budget process. Basing the city's contribution on hotel room nights would also tie NYC & Company's funding directly to the success of its marketing efforts. Others might argue that the city's hotels directly benefit from NYC & Company and therefore it is appropriate to use revenue generated by visitors to help pay for the organization's operations.

Opponents might argue that hotel guests already pay a high tax rate on hotel stays, and that an additional surcharge could discourage some visitors from staying in the city. Others might argue that it would be fairer to fund NYC & Company through the city's general fund. A broad base of city taxpayers—including both businesses and workers—benefit from the tourist market, and so it is unfair to single out hotel operators and their overnight visitors to fund NYC & Company. Finally, some might argue that moving the city's contribution to NYC & Company off of the city's budget would reduce transparency and diminish the organization's accountability to the City Council and the public at large.

Updated October 2018

Prepared by Conrad Pattillo

Revenue Options

Institute a Tourist Fare on the Staten Island Ferry

Revenue: $5 million annually

This option, based on a 2014 analysis conducted by IBO at the request of Borough President James Oddo, would reinstitute a fare for certain passengers on the Staten Island Ferry.

Passenger fares on the Staten Island Ferry were abolished in 1997, as part of New York City's "One City, One Fare" initiative that also introduced free MetroCard subway and bus transfers. Prior to the initiative, the round-trip fare on the ferry was 50 cents. Under this option the city would charge a $4 round-trip fare, with exemptions for residents of Staten Island, as well as for other New York City residents who document the need to travel to Staten Island for work or study. This would require legislation to amend the city's Administrative Code. City residents who are exempt from the fare would receive a special fare card allowing them to go through the ferry turnstiles without charge.

IBO estimates that annual gross revenues from a $4 "tourist" fare would be $9.4 million. After subtracting out the annualized cost of building and maintaining the fare collection system, and issuing and distributing passes to exempt passengers, net revenues would be $5.1 million a year. Viewed from a different perspective, almost half of the gross revenues from a $4 tourist fare would be used to cover the cost of building and maintaining the system. Looking ahead, an outlet shopping complex under construction near the Staten Island ferry terminal is likely to increase ferry ridership.

Proponents might argue that ferry riders should be expected to pay at least a nominal share of the cost of the service. The Staten Island Ferry's operating expenses have increased dramatically in recent years, due in part to increased safety and security measures, as well as expanded service. According to the Mayor's Management Report for fiscal year 2018, the operating expense per passenger trip for the Staten Island Ferry was $5.39 one way or $10.78 round trip. Passengers subject to the $4 round-trip fare would be paying well under one-half of the cost of a ride. In contrast, fares on New York City Transit subways and buses cover more than half of operating expenses. IBO estimates that around 80 percent of current ferry riders are Staten Island residents or residents of other boroughs who regularly use the ferry for work or school trips, and therefore would be exempt from the fare.

Opponents might argue that charging even a subset of ferry riders violates the spirit of the "one city, one fare" policy. Opponents might also object to singling out visitors to the city and occasional riders from the other boroughs for the charge. Having free attractions such as the Staten Island Ferry creates good will among visitors to the city, and may encourage more tourism. As Staten Island proceeds with plans to develop tourist destinations such as the Empire Outlets, the availability of free transportation from Manhattan enhances their appeal. Finally, the fare is a relatively inefficient way to raise revenue, as the annual capital and operating costs of the fare system would equal almost half of the gross fare revenue.

Revenue Options

Make City Marshals City Employees

Revenue: $11 million annually

City marshals are mayoral-appointed law enforcement officers tasked with implementing Civil Court orders, including collecting on judgments, towing vehicles, seizing utility meters, and carrying out evictions. They are appointed for five-year terms, but there are no limits on the number of terms that they can serve. City marshals are under the oversight of the New York City Department of Investigation, but are not city employees.

Although privately employed, city marshals carry badges and are empowered to seize bank accounts, garnish wages, and sell personal property. Marshals collect fees according to a schedule set in New York State law, and also collect 5 percent of the total amount collected for services known as "poundage." In turn, marshals are required annually to give $1,500 plus 4.5 percent of their gross income to the city. In recent years, the annual gross income of a city marshal averaged $1 million, with the city collecting fees averaging $47,000 per marshal. On average, marshals generate $420,000 in net income from their work each year.

In many other U.S. cities, such tasks instead are performed within the Sheriff's Office. In New York City, the City Sheriff's Office similarly enforces court mandates and processes for state courts, and is staffed by city employees. Currently, there are 35 marshals in New York City and some city marshals may employ additional support staff. Under this option if each marshal were replaced by 1.25 city employees earning the median salary of a deputy sheriff, the city would collect about $11 million in net additional revenue. This assumes that the current poundage and fees collections continue, but as revenue to the city and not to individual marshals. IBO's estimate of city revenue assumes poundage and fee collections would decrease by a third because there would no longer be a financial incentive for collecting on judgments.

Proponents might argue that the broad powers granted to city marshals should be left to a neutral party that does not rely on a political reappointment or have a financial incentive to perform judgments. Other cities employ salaried Sheriff's Office staff to perform similar tasks, and employees of the New York City Sheriff's Office currently earn significantly less than marshals for performing similar work. Creating marshal positions akin to sheriff deputies would streamline overhead, increase the city's oversight capacity, and reduce the potential abuse of power.

Opponents might argue that the private for-profit structure of city marshals leads to better rates of collection, resulting in more timely resolutions of court orders. Private individuals have more flexibility than government employees in implementing civil court judgments, leading to better outcomes for those seeking restitution.

Prepared by Sarah Stefanski

Revenue Options

Require All New Education Department Staff to Meet the Same Residency and Tax Rules as Other City Workers

Revenue: $5 million in the first year

Most of New York City's government workers, after meeting certain conditions, may live outside the city in one of six surrounding New York State counties: Nassau, Suffolk, Westchester, Rockland, Putnam, and Orange. Instead of paying the city personal income tax, they must make payments to the city equivalent to the liability they would incur if they were city residents. The term for these payments, Section 1127 payments, comes from the section of the City Charter mandating them as a condition of city employment for nonresidents. Department of Education (DOE) employees, however, are exempt from the in-state six-county residency requirement and from having to make Section 1127 payments. Approximately a fourth of the DOE workforce lives outside the city—many outside New York State—and these employees neither pay city income taxes nor make Section 1127 payments.

Under this option, new DOE employees starting work after June 30, 2019 would be subject to the same residency requirements that other city workers face and be required to make Section 1127 payments if they move out of the city. IBO estimates that imposing residency restrictions and Section 1127 payments on new DOE employees would have generated $4.5 million in 2018. Revenue from this option would continue growing as newly hired employees, some of whom would choose to live outside the city, replace current nonresident employees who retire. Also, as these new employees move up the wage ladder, revenue from Section 1127 payments would increase. Enacting this option would require state legislation and a change in the city's Administrative Code.

Proponents might argue that that DOE employees should be treated the same as other city employees with respect to residency and Section 1127 payments. The current Section 1127 exemption also creates unfair differences in after-tax compensation among DOE employees based solely on where they live. Others might argue that requiring newly hired city employees to live in the city or the surrounding counties and not out of state would benefit the region's economy since more city earnings would be spent locally, boosting both economic activity and city and state tax revenue. Some could argue as well that having city employees live in or closer to the communities they serve improves employees understanding of the needs of those communities, which can result in improved services to city residents.

Opponents might argue that this option would restrict DOE's ability to recruit and retain highly educated and skilled teachers, administrators, and other professionals. They would point out that the majority of major U.S. cities do not have residency requirements for their public school employees. They could also argue that it would be unfair to impose residency restrictions or payments in lieu of taxes as a condition of employment when similarly situated private-sector employees face none. Additionally, they might argue that requiring Section 1127 payments would create an undeserved financial burden for affected personnel, many of whom are paid less than similarly skilled counterparts in the private sector or the more affluent suburbs.

Updated October 2018

Prepared by Robert Callahan

Revenue Options

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

Revenue: $103 million per year for three years, $30 million annually in subsequent years

Economic development programs in New York City are administered by the Economic Development Corporation (EDC), a nonprofit organization, under contract with the city. EDC operates and maintains city-owned real estate and can retain surplus revenue to fund its own initiatives, in addition to grant money that it receives from the city and other sources.

EDC's real estate operations are extremely profitable. Since 2015, EDC has earned an average of $276 million annually in gross operating revenue from sources such as rental income from city-owned properties, income from the sale of city-owned assets, and developer and tenant fees. Related expenses have averaged about $107 million per year, leaving an average annual net operating income of $168 million—a 59 percent profit margin.

EDC must remit some of this net income to the city, though the amount is subject to annual negotiations with the Mayor and the Comptroller. Over the past three years, EDC has paid the city an average of $80 million a year. EDC is allowed to retain the rest of its net operating income—$88 million on average—to pay for its own activities. These funds are in addition to grants it receives from the city and other sources, such as federal community development grants and capital project funds.

EDC retains surpluses and over time has built up substantial cash reserves. At the end of 2017, EDC held $145 million in unrestricted cash and investments. The Industrial Development Agency and Build NYC, two affiliated organizations staffed by EDC employees, had additional unrestricted investments worth $50 million.

This option would require EDC and its affiliates to remit their net operating income from real estate asset management activities to the city at the end of each fiscal year. Based on a recent three-year period, the transfers would net about $30 million in city revenue, in addition to the funds the city currently receives from EDC. If the city were to sweep EDC's current unrestricted cash and investments over a three- year period, this would result in the transfer of another $73 million per year for three years.

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

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

Updated October 2018

Prepared by Conrad Pattillo

Revenue Options

Sell Biogas Produced as a Byproduct Of Wastewater Treatment

Revenue: $2 million annually

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

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

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

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

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

Updated April 2018

Prepared by Daniel Huber

Revenue Options

Surcharge on Gas-Inefficient Personal Vehicles

Revenue: $22 million annually

Despite having the most extensive public transportation system in the United States and a commitment to addressing environmental issues, New York City fails to meet federal air quality standards and much of the city's air pollution is attributable to vehicle exhaust. In this option, the city could enact a surcharge on gas-inefficient personal vehicles, such as sports cars, sport utility vehicles and pickup trucks, as a mechanism to discourage the ownership of high-polluting vehicles. There are nearly 2 million private, noncommercial cars and trucks registered in New York City, of which roughly half are either sport utility vehicles or pickup trucks.

While it is difficult to quantify the total cost of externalities associated with car pollution, the city could place a vehicle registration surcharge scaled to reflect the carbon emissions of gasoline above a certain mile-per-gallon threshold. This is similar to the 1978 federal gas guzzler tax, which applies an additional surcharge to gas-inefficient cars at the point of purchase, although the federal tax only applies to cars and not other motor vehicles such as trucks or sport utility vehicles. At the current Environmental Protection Administration-recognized social cost of carbon of $42 per ton, the additional cost to register a large vehicle would average $21 a year. This surcharge, collected by the state on behalf of the city similar to how the motor vehicle use tax is administered would produce additional revenue of $22.4 million per year. The surcharge would require approval by the State Legislature.

Proponents might argue that this surcharge has substantial environmental benefits while only raising costs for those who choose to buy particularly large gas inefficient vehicles. They would argue that this surcharge is an attempt to recoup some of the social costs of pollution that are currently borne by the general public. In addition, large or sporty vehicles are generally more expensive than the average car and therefore the surcharge targets those who can best afford to pay.

Opponents might argue that some city residents may have a critical need to own a particular type of vehicle that may be gas-inefficient, and that this surcharge would unfairly target them. They might also argue that the surcharge is for owning the vehicle but not tied to how far the vehicle is driven or how much exhaust it emits. Opponents might also note that this option would increase the incentive to register the car out of state—an issue with which the city already struggles. Additionally, considering that larger vehicles already sell at a premium and their popularity only seems to increase, the surcharge may have little impact on behavior, undermining any potential environmental benefits.

Revenue Options

Toll the East River and Harlem River Bridges

Revenue: More than $1 billion 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 twicethe 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 $11.52, equal to twice the one-way E-ZPass toll for the MTA-owned Hugh L. Carey (formerly Brooklyn-Battery) and Queens-Midtown tunnels. The automobile toll on the eight Harlem River bridges would be $5.28, equal to twice the one-way E-ZPass toll for 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 $760 million for the East River bridges and $290 million for the Harlem River bridges, for a total of $1.05 billion. The MTA plans to raise tolls on its bridges in 2019, and if the proposed East River and Harlem River tolls are pegged to MTA levels, this implies an increase in projected revenue from them. 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 revenue by more than half, to $475 million. Proposals to toll the East River and Harlem River bridges have also been suggested as part of congestion pricing plans to raise funds for public transit, which, if approved, would not raise revenue for the city.

Proponents 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 nonusers alike. Others argues 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 advocacy groups have promoted tolls 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 other 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. Proponents might note that city residents or businesses could be charged at a lower rate than nonresidents to address local concerns.

Opponents might argue that motorists who drive to Manhattan already pay steep parking fees, and that many drivers who use the free bridges already pay tolls on other bridges and tunnels. Drawing a parallel with transit pricing policy, some toll opponents may believe that it is particularly unfair to charge motorists to travel between Manhattan and the other boroughs. 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. Opponents might also argue that even with E-ZPass technology, tolling could lead to traffic backups on local streets and increased air pollution.

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