

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.

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 this 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 difficulties 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.

Establish a User Fee for Some Child Support Cases

Revenue: \$3 million annually

The New York City Office of Child Support Services (OCSS) 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 2021, OCSE collected \$858 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 OCSS 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 OCSS 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.

OCSS does not currently charge its clients for the child support services it provides. (New York State charges a fee of \$35 per year to custodial parents who have never been on cash assistance and receive over \$550 per year in child support.) Under this option, OCSS 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 million. This option would require state legislation.

Proponents might argue that OCSS 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 OCSS 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 OCSS, 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 OCSS risks increasing caseloads and costs.

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.

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

Revenue: \$6 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 one-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, 2022 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 \$6 million in 2020 on 1,464 new hires residing outside the city. 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 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.

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

Revenue: \$67 million per year for three years, \$25 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. Because EDC is a non-profit acting on behalf of the city, this spending does not appear in the city's budget.

EDC's real estate operations are extremely profitable. Since 2019, EDC earned an average of \$275 million in gross operating revenue each year 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 \$121 million per year, leaving an average annual net operating income of \$154 million—a 56 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 \$38 million a year. EDC is allowed to retain the rest of its net operating income—\$116 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 build up substantial cash reserves. At the end of 2021, EDC held \$108 million in unrestricted cash and investments. The Industrial Development Agency and Build NYC, two affiliated organization staffed by EDC employees, had additional unrestricted investments worth \$21 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. Assuming EDC's recent staffing levels and programmatic spending are maintained, the transfer would net about \$25 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 \$43 million per year for three years.

Proponents might argue that should not fund its policy agenda using revenue from city-owned property. They could argue 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 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 city 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.

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.

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,