Savings Options

Divert an Additional 10 Percent of Paratransit Trips to Taxis

Savings: $16 million annually

The federal Americans with Disabilities Act of 1990 mandates that transit agencies provide "comparable" paratransit service to individuals who are unable to use regular public transportation. New York City's paratransit program—Access-a-Ride—is administered by NYC Transit, which is the part of the Metropolitan Transportation Authority responsible for subway and bus service in the city. Under the terms of an agreement between the city and NYC Transit, the city pays one-third of paratransit net operating expenses, after subtracting out fare revenues, tax revenues dedicated to paratransit, and the program's administrative expenses. In addition, the year-to-year increase in the city subsidy is capped at 20 percent. For many years rising expenses resulted in annual subsidy increases that were capped at 20 percent, but more recently the year-over-year changes in the subsidy have been very small or even negative. Assuming this trend continues, each reduction in expenses will lead to an equivalent reduction in the city subsidy.

Access-a-Ride contracts with private transportation companies to deliver paratransit services. Conventional paratransit consists of dedicated wheelchair-accessible vehicles. NYC Transit also uses taxis and livery cars and has found that they can in many cases transport passengers at a lower cost. As of June 2018 just 6 percent of medallion taxis, 14 percent of green taxis, and a negligible share of livery cars were wheelchair accessible. The TLC provides some financial incentives for owners to use accessible vehicles, and has sold some yellow cab medallions and green taxi permits that are only valid for accessible vehicles. At the same time, however, around 80 percent of current Access-a-Ride users do not require a wheelchair, and can potentially travel in a non-accessible vehicle.

Currently, around 55 percent of Access-a-Ride trips are made on dedicated paratransit vehicles, at an average cost per ride of around $80. The remaining 45 percent of trips are made using taxi and livery vehicles, at an average price per ride of about $32. NYC Transit pays providers by the hour, not by the trip, and at the margin there may not be significant savings from diverting one trip to a taxi or livery car. For example, a dedicated Access-a-Ride vehicle that is already making a trip can pick up and discharge an additional passenger along the same route for an additional cost close to zero. However, moving a larger share of paratransit service to taxi and livery vehicles can provide substantial savings. Assuming conservatively that the marginal savings per ride is half of the average per ride savings, IBO estimates that diverting an additional 10 percent of paratransit trips (around 670,000 trips annually) to taxis and livery vehicles would lower costs by $16 million, and therefore reduce the city subsidy by an equivalent amount.

Proponents might argue that for most paratransit users, taxis and livery vehicles can provide equivalent or even superior service compared with a dedicated vehicle. Taxis and livery cars are available in much greater numbers than dedicated vehicles, and can easily switch back and forth between regular and paratransit service. Giving taxis and livery cars a greater share of the paratransit market would help a sector that has seen the demand for its services decline due to apps such as Uber and Lyft.

Opponents might argue that although most paratransit users do not require a wheelchair, many do need some extra help getting between the street and building entrances, as well as carrying packages. Dedicated paratransit drivers are expected to provide these services, whereas taxi and livery drivers are not. In general, taxi and livery drivers are not always prepared to meet the challenges of transporting passengers with disabilities.

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Savings Options

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

Savings: $58 million annually

The Fashion Institute of Technology (FIT) is a community college in the State University of New York (SUNY) system. Like all SUNY community colleges, it has a local sponsor, in this case the city's Department of Education, which is required to pay part of its costs. FIT is the only SUNY community college in New York City; all other community colleges in the city are part of the City University of New York system. The city has no financial responsibility for any other SUNY school, even though several are located here.

FIT specializes in fashion and related fashion professions. Originally, it was a two-year community college, but in the 1970s FIT began to confer bachelor's and master's degrees. Today the school has 23 bachelor degree programs along with 6 graduate programs, which account for nearly half its enrollment. Admission to FIT is selective, with fewer than half of applicants accepted; a large majority of its students are full-time and a substantial fraction are from out of state. Thus the school is a community college in name only; functionally, it is a four-year college.

In New York State, funding for community colleges is shared between state support, student tuition, and payments from a "local sponsor." Under this proposal, FIT would convert from a community college to a regular four-year SUNY college; the Department of Education would cease to act as the local sponsor and would no longer make pass-through payments to subsidize FIT. As a result of this change, the college would have to rely more on tuition, state support, its own endowment, and any operational efficiencies and savings that it can implement. This change in FIT's status would require state legislation.

Proponents might argue that there is no reason for FIT's anomalous status as a community college sponsored by the Department of Education; given that it is, in practice, a four-year SUNY college it should be funded like any other SUNY college. They might also argue that because New York City is a major fashion capitol, there are good prospects for philanthropic and industry support to make up for loss of local sponsorship. They might also note that the mission of the Department of Education is to provide for K–12 education for New York City children, and that subsidizing FIT is not relevant to this mission. Finally, they might point out that demand for higher education has been growing—especially at affordable, well-regarded institutions like FIT—so tuition will continue to be a strong revenue source, softening the blow of the loss of city funds.

Opponents might argue that the loss of local sponsorship could lead to a sharp rise in tuition that will offset the affordability of FIT. Additionally, opponents could also point out that the state does not meet its current mandate for funding of community colleges so it is not likely that the state would make up the loss of city funds. They also might suggest that even if the current arrangement does not make sense, the logical alternative would be to incorporate FIT into the city university system, which would not produce savings for the city nor guarantee that the funds would be available for other education department spending. And finally, they could say that other funding sources such as contributions from the business community are too unstable because they can shrink when the economy slows.

Savings Options

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

Savings: $20 million annually

The MTA Bus Company (MTA Bus) was created in 2004 as a subsidiary of the Metropolitan Transportation Authority (MTA). MTA Bus operates local bus service, mostly in the borough of Queens, and express service to and from Manhattan. This bus service was formerly operated by private companies under franchise agreements with New York City. The companies received subsidies administered through the city's Department of Transportation. The MTA agreed to take over the bus routes under the condition that the city would reimburse the MTA for operating expenses net of fare revenues and certain other subsidies. The cost to the city of reimbursing the MTA has grown steadily over time, reaching $462 million in 2017. MTA Bus reported operating expenses of $689 million in 2016, equivalent to $214.22 per vehicle revenue hour (the cost of maintaining one bus in service for one hour). This figure is similar to the $226.46 cost per vehicle revenue hour for New York City Transit buses.

This option would reduce the city's reimbursement to MTA Bus by instituting a pilot project that would replace service on lightly traveled local bus runs in Queens with taxi service. In conjunction with the MTA, the city would identify 10 percent of bus runs with low passenger counts that could be replaced with taxis that agree to "cruise" the pilot routes. After accounting for administrative costs, including possible payments to both the MTA and taxi owners or operators as an inducement to participate in the pilot, IBO's conservative estimate is that the city could reduce its subsidy payment to the MTA by $20 million per year.

Specially marked street hail liveries (better-known as green taxis) would pick up and drop off passengers at stops along the bus route, for a cash fare equivalent to the undiscounted subway and bus fare, currently $2.75 per passenger. Taxis could pick up and discharge multiple passengers along the route, as long as the normal capacity of the vehicle were not exceeded. The fares would go to the driver and taxi owner, not the MTA. Incorporating the MetroCard fare system into taxis would be prohibitively expensive. However, as the MTA moves to new payment systems that use dedicated "smart cards" or bank cards, the payments to taxis could be integrated into the MTA fare system. Until that transition takes place, taxis could partially compensate riders by issuing paper transfers valid for a free bus ride.

According to the city's Taxi and Limousine Commission, the average gross fare revenue per hour (excluding tips) for green taxis was $20.63 in 2015 (A 2017 study of app-based ride services such as Uber in New York City concluded that the mean gross pay for those drivers, excluding tips, was $24.49 per hour.) Assuming that drivers of green taxis can earn $25 per hour providing regular service once tips are included, a driver would need to transport 10 passengers per hour along the bus route at the $2.75 fare to exceed the average taxi fare revenue.

Proponents might argue that replacing buses with taxis on lightly traveled runs represents a more efficient use of public resources. With taxis, service can be provided more frequently, and the hours of service extended. The city's green taxis have been hit hard by the rise of services such as Uber and Lyft, and the proposed pilot would give them a new and important role to play in the transportation system.

Opponents might argue that that the inability to pay with a MetroCard penalizes riders, particularly those with unlimited MetroCards who would be charged a cash fare when the trip would otherwise be covered with their unlimited card. In addition, some users may prefer riding a bus to sharing a taxi with strangers. Others might argue that this change could lead to job losses for the MTA employees currently staffing these bus lines.