10 Myths
About Balancing New York City’s Budget

and

5 Ways
to Lower the Cost of Government
by $1 Billion Per Year

Citizens
Budget
Commission

Prepared for a
Conference of the
Citizens Budget
Commission:
How Should
the City Close
a $5 Billion
Budget Gap?
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Sound budget policy requires a clear understanding of the nature of fiscal problems and creative thinking in the design of solutions. The recent public debate about how to close New York City’s unprecedented budget gap falls short on both counts.

The Citizens Budget Commission – a nonprofit, nonpartisan civic organization – has prepared this document to clear up a series of common misunderstandings that hinder the debate and to focus attention on the potential for significant savings by delivering City services more efficiently.

The first part of the document identifies ten “myths” about the budget and provides the facts that dispel them. The second part presents five ideas that together would save the City more than $1 billion annually. The ideas are based on research conducted by the Commission’s staff and presented in greater detail in separate reports published by the Commission. These reports and the sources for charts in this document are available at www.cbcny.org.

The $1 billion in savings in these recommendations are not sufficient to close the City’s budget gap, but they are offered as examples of the kind of thinking necessary to avoid the far less attractive options of cutting services and raising taxes. If the Citizens Budget Commission, with a small research staff, can identify savings of this magnitude, then a concerted effort by the City’s far larger analytic staff surely would yield savings of far greater magnitude.

Ironically, it’s easier for elected officials to cut vital services or raise taxes than to make government more efficient. This is in part because implementation requires a determined and persistent effort and because the savings cannot typically be achieved in the short timeframe elected officials impose upon themselves. Concerned citizens should press their leaders to design multi-year budget strategies that will keep multi-billion dollar budget gaps from recurring, and to expend the time and effort necessary to implement them.

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MYTH #1

The City's budget problem is not that bad. There are always big projected budget gaps, and the City always manages to close them.

REALITY

The City has never had a budget gap as large as the one it faces in fiscal year 2003-04. The projected gap is $6.4 billion. Last February the projected gap for the current year was a lower $4.8 billion, and in other years since 1990 the projected gap was never more than $2.7 billion. Even when the figures are adjusted to take into account the effect of inflation, the current gap is unprecedented. Measured in constant dollars, the largest gap before last year was $3.3 billion in fiscal year 1995-96.

Faced with large gaps, the City does not always balance its budget. In the last and current fiscal years, the City has borrowed to pay its operating expenses – a practice that had been avoided since the fiscal crisis of the 1970s:

- In fiscal year 2001-02 the City borrowed $598 million to pay for operating expenses. This includes $458 million borrowed by issuing Transitional Finance Authority bonds and $140 million of federal aid diverted from the capital budget (and replaced with borrowing) to cover operating expenses.
- In the current fiscal year, the City is borrowing over $2 billion in order to meet operating expenses. This includes $1.5 billion in Transitional Finance Authority Bonds, $250 million from the Municipal Assistance Corporation, $277 million in a loan from the municipal employee pension funds, and additional diversion of federal aid for capital projects.

IMPLICATIONS

The City should not – and probably cannot because of creditor resistance – again borrow to close the coming budget gap. Instead, it should focus on implementing expenditure reductions and revenue enhancements with recurring value.
MYTH #2

Only temporary solutions are needed, because the economy will soon rebound and generate sufficient revenues.

REALITY

There is no plausible scenario in which an economic recovery provides sufficient revenue to close the projected budget gaps for the next three years.

Those gaps are $6.4 billion in fiscal year 2003-04, $6.7 billion in fiscal year 2004-05, and $7.0 billion in fiscal year 2005-06. These gaps exist even while tax revenues are projected to grow 5.1 percent annually, or by $3.6 billion over the three-year period.

A highly optimistic scenario would be that the economy performs the way it did during the boom years of 1996-2000. In those years, City tax revenues (adjusted for tax law changes) grew 7.9 percent annually. This would cause revenues to grow by $5.7 billion, rather than $3.6 billion, but it would still leave a budget gap of $4.9 billion in fiscal year 2005-06.

If, on the other hand, the economy fails to meet the expectations in the City’s current financial plan, the gaps would become even larger than presently projected. If, in the next three years, tax revenues grow as they did following the last national recession – by a slow 1.9 percent annually from fiscal years 1992 to 1996 – then the gap in fiscal year 2005-06 would grow to a staggering $9.3 billion.

IMPLICATIONS

The City cannot count on an economic revival to solve its problem. More than temporary measures are required.
MYTH #3
Harsh budget cuts in recent years have debilitated City services.

REALITY

The City budget has grown substantially during both the boom period of the late 1990s and the recession since 2001. From fiscal year 1997-98 to the current year, total City spending increased by $9 billion – an increase of 26 percent. Adjusting for inflation, the increase is $4.9 billion – a 13 percent increase above inflation.

Even in the last two years of economic downturn, City spending has not been curbed. In fiscal year 2001-02, spending increased more than $2.6 billion, partly reflecting extraordinary expenses related to the terrorist attacks of September 11, 2001. However, if one excludes fiscal year 2001-02 (and, therefore, the spending associated with the terrorist attacks), spending from fiscal year 2000-01 to fiscal year 2002-03 rose $2.4 billion, suggesting an annual underlying growth in non-disaster-related spending of $1.2 billion per year.

Reflected in these spending figures is the fact that the number of full-time City employees grew by nearly 14,000 from the end of fiscal year 1996-97 to June of 2000. Since the economic bubble burst in 2000, the City has reduced its full-time employees by just 3,100 – or about one percent. Even now, City employment is 10,700 greater than it was six years ago.

IMPLICATIONS

While the mix of City spending is changing, and some departments have experienced budget cuts, the overall size of municipal government has grown, even as the economy has diminished. A real shrinking of government is needed to respond to the underlying economic trends.
MYTH #4

It's unrealistic to think that City government can become more efficient.

REALITY

New York City provides municipal services less efficiently than most other major American cities. On a per capita basis, the cost and number of workers involved in providing police and fire services is higher in New York than in most of the 12 other large cities to which it can be meaningfully compared.

For police services, New York City spends nearly one third more than the average for these other large cities. In terms of full-time equivalent employees, New York is more than 50 percent above the large city average. Only three of the 12 cities spend more per capita than New York, and only Washington, DC, has more employees per capita.

For fire services, New York City’s per capita spending is 12 percent above the big city average. Its ratio of workers to residents is about 15 percent above the cities’ average. Again, only three cities spend more per capita than New York, and these same three cities have more workers per capita.

IMPLICATIONS

There is no logical reason why New York City should spend more, and hire more workers, per capita to deliver comparable services than do other large cities. If New York is to become more competitive, it should provide services more efficiently.
MYTH #5

City workers have suffered in recent years due to minimal pay increases that trail inflation.

REALITY

Since 1995, the vast majority of City workers have negotiated contracts with raises that exceed inflation. Not all City workers belong to the same union, and the contracts with the largest unions have varied somewhat in their time periods and terms. However, the common pattern has been for a five-year contract spanning 1995-2000 and a two-year contract covering 2000-2002. Most contracts have now expired.

The five-year contract was notorious for having "two zeros" or no raises in the first two years. However, in the subsequent three years and in the latest contract, the raises have more than made up for that.

The teachers have fared best. For an entry-level teacher, pay has grown from $28,749 in 1995 to a current $39,000 – a 36 percent increase, compared to inflation of 18 percent. For the most senior teachers, the increase was a similar 35 percent, from $60,000 to $81,232.

For uniformed employees (police, fire, and correction officers), the raises have totaled 24 percent, while inflation rose 20 percent or less, during the period of their respective contracts.

The civilian employees received raises just above 20 percent during a period in which inflation was 18 percent.

At the same time, employees’ fringe benefits also grew rapidly in value. The total cost to the City of these benefits rose 54 percent, from $2.7 billion in fiscal year 1994-95 to nearly $4.2 billion in fiscal year 2001-02. Much of that increase was for health insurance benefits, which jumped 72 percent to reach $2.0 billion in fiscal year 2001-02.

IMPLICATIONS

The wages and benefits of City workers have outpaced inflation in recent years. In addressing the large looming budget gaps, citizens should reasonably expect some concessions from employees, particularly in their fringe benefits.
**MYTH #6**

Only a small portion of the City budget can be cut, because most of the budget is mandated and, therefore, uncontrollable.

**REALITY**

All parts of the City budget can be controlled, but in some cases the cooperation of State and federal officials is needed. The Mayor and other City officials do not have sole authority over significant portions of the budget, but they can bargain with and persuade others to help control the rate of growth and even make cuts.

There is little debate about the City’s ability to control the amount of locally raised money spent on the operations of many agencies including police, fire and sanitation. According to Mayor Bloomberg’s estimate, this “controllable base” is $15 billion – 36 percent of the total budget of $42 billion.

The largest item outside that base is $13.7 billion in State and federal aid for specific “categorical” purposes such as education and social services. While reductions in this aid do not help close budget gaps, the City can seek permission to use the funds in ways that substitute for locally funded spending.

The next largest item is $4.5 billion mandated by the State as the City’s contribution toward public assistance and Medicaid. The most important way in which this can be controlled is by working with State officials who determine the rates at which hospitals, nursing homes, physicians and others are paid for their services.

About $3.8 billion outside the Mayor’s “controllable base” is for pension fund contributions and other fringe benefits. This cost is, of course, driven by the number of City workers, which the Mayor does control. The amounts per worker, however, are set by State law in the case of pensions and by union contracts for most fringe benefits. The Mayor can negotiate with the unions on fringe benefits and work with the State legislature on pensions.

The remaining major piece is debt service. The Mayor can control this in the long run by reducing borrowing and in the short run by refinancing debt.

**IMPLICATIONS**

No part of the budget should be considered off limits when dealing with a large budget gap. Some items may require more time to bring under control than others. The City should have a long-run strategy for limiting expenditures, in addition to its historical focus on short-run measures for the current year.
MYTH #7
Large tax cuts in the 1990s were sufficient to make New York City competitive with other major cities.

REALITY
City and State leaders implemented cuts in income, sales and other taxes during the 1990s. However, those tax cuts were not enough to make New York City competitive, because its tax structure historically was far out of line and other areas also reduced their taxes.

Comparable data are available on the tax burden for families in New York City and eight of the 12 other large cities identified earlier. In 1990, a family of four with a $50,000 income in New York City paid more taxes than a similar family in any of the other cities. Between 1990 and 2000, that New York family’s tax burden fell by $1,079. Nonetheless, in 2000 that family still paid more taxes than its counterparts in seven of the other cities. Only Philadelphia, which increased taxes in the 1990s, had a burden more than New York’s in 2000.

Data for a family of four with an income of $100,000 point to a similar conclusion. New York City had the highest tax burden in 1990. Despite significant reductions in the next decade, by 2000 it was second only to Philadelphia.

IMPLICATIONS
While New Yorkers tend to be encouraged by absolute cuts in taxes, competitiveness must be judged by comparisons with other cities. From that perspective, little progress has been made. Budget balancing strategies should take New York’s competitive position into account.
**MYTH #8**

Property tax increases are not harmful, because they are paid primarily by landlords who cannot leave the city.

**REALITY**

New York City has a unique system for collecting property taxes that discourages economic growth by placing an unusually high burden on commercial property. Increasing the tax rates without changing the structure will cause serious economic harm.

The City divides property into four groups: one-, two-, and three-family homes; larger residential units; property owned by utilities, and all other commercial property. Taxes are much lower on the small homes than on all other classes of property. These homes comprise 46 percent of the value of property in the City, but they pay only 14 percent of the taxes. In contrast, commercial property comprises 28 percent of the property value but pays 44 percent of the taxes.

This system differs markedly from the way in which the property tax is administered in most other jurisdictions. In the New York suburbs, the effective local tax rates on residential and commercial property are nearly equal – about $25 in taxes per $1,000 in property value. In New Jersey and Connecticut, the two types of property are also subject to similar tax rates – about $25 and $17, respectively, per $1,000 in property value. In New York City, the tax rate on commercial property is five times that on small residential property – about $42 versus $8 per $1,000 in property value.

Most other jurisdictions keep the rates on commercial and residential property similar because it makes good economic sense. Owners of commercial property often are able to include their tax costs in the rent they charge tenants. High commercial taxes cause high rents, discourage businesses from locating in the city, and, therefore, drive away jobs needed by the homeowners.

**IMPLICATIONS**

Unless New York City changes the structure of its property tax, increases will be borne disproportionately by commercial property and will drive away jobs. In contrast, the tax on small homes could be raised and would still be in line with neighboring jurisdictions.
MYTH #9
The State and federal governments can be counted on to provide significant aid to help close the City’s budget gap.

REALITY

The State of New York is encountering its own fiscal crisis. In its 2003-04 fiscal year the State faces a budget gap as large as or even larger than the City of New York’s.

The State budget, excluding federal aid, is about $62 billion and fully 60 percent represents aid to local governments. This includes aid for education, social services, health and other purposes. It is hard to imagine the State closing its budget gap without having to reduce this major component.

Historical evidence demonstrates that the City suffers when the State is in fiscal trouble. In fiscal year 1991-92, when the State had to close a budget gap caused by the national recession, New York City anticipated an aid increase of $278 million but received a cut of $76 million. In fiscal year 1995-96, when a newly elected Governor struggled to deal with inherited budget woes, the City anticipated an aid cut of $198 million and the cut actually was $351 million. Despite these difficult lessons, for fiscal year 2003-04 the City is now anticipating an increase in State aid of $250 million.

The federal government has made a commitment to provide New York City with $21.7 billion to help recover from the terrorist attacks of September 11th, 2001. However, little, if any, of this money is available to help balance the budget. More than $7 billion is for transportation projects to be carried out by the Metropolitan Transportation Authority and the Port Authority of New York and New Jersey. Another $5 billion is in the form of federal tax credits that go directly to individuals and businesses. About $2.7 billion is allocated to the Lower Manhattan Development Corporation. Most of the money that the City receives is reimbursement for the rescue and clean-up efforts that are already completed.

New York’s Congressional delegation is persistently seeking more funds for the City, but this effort confronts a growing federal deficit and a revived political movement for greater federal tax cuts. In this context, more federal aid should be sought vigorously but not counted on.

IMPLICATIONS

The most likely ways in which the State will be able to assist the City are those that do not cost the State money. This includes lifting legal mandates, re-authorizing a commuter tax, and pursuing Medicaid cost controls that benefit both the State and City.
MYTH #10

Borrowing, asset sales, and other one-time devices are an acceptable fall-back plan for balancing the budget.

REALITY

Borrowing and budget “gimmicks” have harmful effects. Using them to solve today’s problems creates large and unjustifiable costs in the future.

Borrowing is a useful device for financing capital projects. It allows all the people who benefit from an investment, such as a bridge or sewage plant, to share in the cost. If a project will provide benefits over 20, 30 or more years, it is appropriate to have its costs spread over a similar period. In contrast, borrowing for operating expenses imposes costs unfairly. Those who benefit from the services provided in the year of the borrowing avoid paying for them. Instead, future taxpayers over the next 20 or 30 years bear the cost of services consumed by others today.

Borrowing can take place in hidden as well as direct forms. Two examples were noted earlier. In the current fiscal year the City is borrowing without issuing new bonds by drawing on Municipal Assistance Corporation reserve funds. These reserve funds were created with funds borrowed several years ago, and the money was intended to increase the confidence of bondholders and to be used to make the final payments on outstanding bonds in 2008. By using this previously borrowed money, the City is increasing its costs in 2008. Similarly, this year the City began a program of deferring pension contributions that otherwise would be due. This money will be given to the pension funds in later years with an added interest expense of about 8 percent. It is, in effect, simply a loan from the pension funds that future taxpayers will be obliged to repay with interest.

Asset sales also are an inappropriate way to pay for current operating expenses. In many cases, it is wise for the City to sell an asset. The mistake is using the money as a one-time support for operating expenses. These funds should be reinvested in new capital projects or be used to pay off outstanding debt.

The most offensive fiscal abuses are instances when an asset is sold to another part of government, which pays for it through “off budget” borrowing. A notorious example is the sale by New York State of Attica prison to the State’s Urban Development Corporation, which issued bonds to pay the State. Similarly, the City of New York proposed selling its water mains and sewers to the Water Finance Authority, a subsidiary of the City, with that Authority issuing bonds to pay the City; fortunately, the City Comptroller blocked that transaction.

IMPLICATIONS

Current efforts to balance the budget should eschew borrowing and other gimmicks. There would be large future costs that the next generation of New Yorkers – our children – would unfairly be forced to pay.
SAVINGS PROPOSAL #1

A 40-hour work week for civilian employees

Of the nearly 250,000 full-time employees of the City of New York, about 80,000 are “non-managerial civilians.” This means they are not teachers or other educators at the Department of Education or the City University; they are not uniformed employees such as police officers, firefighters or correction officers; and they are not managers such as Commissioners or other senior officials. Of these 80,000 civilians, less than 10,000 are required to work a 40-hour week. About 3,400 civilians work a 37.5-hour week, and more than 67,000 work a 35-hour week.

Those civilians not working a 40-hour week should be required to do so. The savings to the City from this change – $498 million annually – would be realized because fewer workers could accomplish the same amount of work. About 8,500 positions could be eliminated if all of these civilians were required to work a 40-hour week. The average savings per worker would be about $58,000 including salary, fringe benefits and space costs.

Two obstacles must be overcome in order to achieve the full, potential savings. First, there is a high degree of occupational specialization among the civilians. If fewer than eight workers do the same job, then it might not be possible to reallocate the work among a smaller group and accomplish the same volume of work in 40 hours as was done by more employees in 35 hours. In fact, the City’s civilian employees are divided among more than 1,100 different job titles, but most are in positions with many incumbents. Only about 7 percent of the workers, or about 5,700, are in job titles with less than eight incumbents in the same agency. For these workers the shift to a 40-hour week should be accompanied by sharing of work across agencies and combining tasks now limited to narrowly defined job descriptions, known as “broad-banding,” in order to achieve the full savings.

The second potential obstacle is geographic dispersion of workers among many different locations, making it difficult for a smaller number of workers to share tasks. In fact, civilian employees work at 1,556 different locations. However, most are concentrated at a few large locations; fully 73 percent, or more than 49,000, are at facilities with at least 100 civilian workers. About 22 percent are at locations with 10 to 100 workers, and less than 5 percent are at locations with fewer than 10 workers. For those at the smaller locations, the shift to a 40-hour week should be accompanied by relocation to more concentrated offices or dividing time among two or more locations.

In difficult fiscal times, it is reasonable to require City employees to have a 40-hour week. Most similar federal employees have a 40-hour week; workers in other large cities such as Los Angeles, San Francisco, Phoenix and Washington, DC have a 40-hour week; nationally, among all state and local government employees fully 85 percent of the blue-collar workers and 64 percent of the white-collar workers (except teachers) have a 40-hour week.
SAVINGS PROPOSAL #2

Streamlined Procurement

Procurement of goods and services is big business for the City of New York. In fiscal year 2001, the City spent more than $8.6 billion for construction, goods and services.

The City’s procurement process is governed by an intricate set of laws and rules designed to: (1) ensure a reasonable price; (2) promote competition among a diverse set of vendors; (3) prevent favoritism or corruption.

Criticism of the system resounds throughout City agencies and among vendors who do business (or refuse to do business) with the City. The emphasis on process over professional judgment creates a culture of caution among procurement personnel who are empowered only to find fault with or “rubber stamp” documents rather than innovatively seek the best value for the City.

The best evidence of the need for streamlining is long procurement cycles. Contract purchases typically take a minimum of three months. These long procurement cycles can be traced to four underlying problems:

1. Lack of effective management and governance.
2. Burdensome oversight involving up to 10 agencies.
3. Excessive paper, estimated at 12 million sheets annually.
4. Poor use of e-government resources.

New York City has been addressing its procurement problems for over 15 years; however, much more remains to be done. The following three-pronged strategy is needed:

1. Replace the Mayor’s Office of Contracts with a new procurement entity that offers “one-stop” oversight, a central place for vendors to interact with the City, and improved agency support services.

2. Implement an advanced e-procurement system that includes a central website; an option for vendors to submit bids and other materials electronically; online access to pre-negotiated contracts for agency buyers; a central contract management system; and annual subscription and transaction fees for vendors.

3. Change the legal framework for procurement to give the Procurement Policy Board more independence and to permit new cost-effective procurement techniques.

These recommendations would yield savings in two ways: lower transaction costs, and lower prices from vendors. An advanced e-procurement system would save approximately $11 million annually and 15 percent price reductions would save $186 million annually for a total of $197 million.
SAVINGS PROPOSAL #3
Restructure Special Education

Special education in New York City has three distinguishing features: (1) It reaches many children - about 168,000. (2) It is expensive, costing about $18,919 annually per child for a total of $3.2 billion. (3) It does not work well. Only one of every six of these students eventually receives a diploma.

The dismaying situation is caused by three factors. First, and most important, the City relies too heavily on the most restrictive settings for conducting special education. The share of the City’s students (44 percent) in the most restrictive settings such as segregated classrooms is more than double the national average; the miniscule proportion (1 percent) dividing their time more evenly between separate services and regular classrooms is far behind the national average (29 percent).

The City also classifies too many students as needing special education. Among 23 large school districts with a high percentage of low-income students, New York ranks seventh in the share of students classified as special education.

A third factor is the City’s inefficient practices in providing support services. The process for evaluating students needs in New York includes duplicative personnel and steps not found elsewhere. A growing proportion of special education students are brought to school by private buses with the costs averaging more than $6,100 annually per student.

Special education can be made better for the children and less expensive through these reforms:

1. Move students from more restrictive to less restrictive environments. The City should move enough students (about 30,000) from the most restrictive settings to less restrictive settings to bring its pattern of placements into line with the rest of New York State and reduce the number of students in special private schools about 6 percent.

2. Reduce placements by using more preventive services. The City’s placement rate is somewhat higher than the median for comparable cities. Application of national best practices in New York would let about 6,400 students receive preventive services in regular classrooms rather than in special education.

3. Provide support services more efficiently. Streamlining is possible by eliminating unnecessary administrative personnel, revising evaluation procedures, and changing transportation arrangements.

The recommended changes in placement policy would improve educational outcomes and, with the efficiencies in support services, would save significant sums. The new placement policies would save $177 million annually, and the non-instructional efficiencies would save $140 million. However, making the new policies work well would also require an investment to prepare staff. Investing $50 million more in professional development would leave $267 million in savings.
SAVINGS PROPOSAL #4
More Rational Staffing at the Police Department

The New York City Police Department has done an extraordinary job in reducing crime - major felonies have been cut in half since 1995. This progress is tied to managerial innovations as well as to new resources.

As the City weathers more difficult fiscal times, limited resources could make the Police Department less effective. However, the Department can follow three strategies to protect public safety in a time of declining resources.

1. Reschedule the police officers’ work day to increase time in law enforcement and decrease paid time for changing uniforms. Police officers work in shifts of 8 hours and 35 minutes. The 8 hours typically are spent in law enforcement; the 35 minutes overlap their colleagues’ shifts and are for briefings and changing clothes. Reducing the overlapping time to 15 minutes would create the equivalent of 10 more working days for each officer without increasing the total time worked in a year. This would permit the City to have an equal number of officers on patrol each day with a smaller number of officers on the payroll. The estimated annual saving is $67 million.

2. Reassign police officers from jobs better done by civilians to law enforcement duties. When a police officer does a job that a civilian can perform, the cost is higher because civilians’ wages are less. Almost 1,600 officers, and more likely as many as 2,300 officers, fill positions that could be staffed well with civilians. Making this change would save a minimum of $46 million, and more likely $67 million, annually.

3. Stop using officers on overtime to perform duties that are predictable and could be scheduled in advance. The Police Department’s overtime expenses rose from $114 million in fiscal year 1995 to $353 million in fiscal year 2001. In fiscal year 2002 overtime hit $610 million, with $347 million not related to the attacks on September 11, 2001. Some of these overtime activities could be accomplished at lower cost by staffing them as part of officers’ regular schedules. Regularly scheduled drug enforcement activities could be staffed with officers as part of their regular schedules rather than with officers on overtime; overtime now required to process arrests could be reduced by better using information technology for these tasks; other activities now requiring overtime could be converted to “straight” time by adjusting officers’ schedules to include days reserved for availability when special events occur. These measures would save about $117 million annually.

The total savings of $251 million annually from these three strategies could be achieved, if the necessary changes are adopted in collective bargaining with the police officers. Their contract is expired, and the gains are available if the City seeks them in negotiations.
SAVINGS PROPOSAL #5

Energy Conservation at Municipal Agencies

The City of New York pays a big energy bill – about $500 million for electricity and fossil fuels in the last fiscal year. While the City has initiated some conservation efforts, it could save more by following practices pursued successfully in other jurisdictions.

Three factors are behind the success of others – a high level of commitment by elected leaders and municipal managers, incentives to departments and individuals, and consistent tracking and reporting.

In New York City, two agencies share responsibility for energy management. The Office of Energy Conservation in the Department of Citywide Administrative Services purchases energy, tracks usage, and develops and implements energy efficiency investments. The Energy Department of the New York City Economic Development Corporation advises the City on energy policy, develops long-term energy strategies, and administers the energy portion of economic development programs.

The City buys its electricity from the New York Power Authority (NYPA), a State agency. NYPA also provides the City low-interest loans for energy efficiency investments. The City has used $90 million from this loan program and another $52 million of its own for projects saving $13 million annually.

The City of New York can increase its savings with these three steps:

1. Responsibility for energy conservation in City agencies should be centralized within the Office of the Mayor. The new unit should increase efforts to assist agencies in their conservation practices and negotiate savings targets with City agencies.

2. Agencies and individuals should be offered incentives to conserve energy. City agencies should be allowed to keep a percentage of savings achieved through conservation or be rewarded for reaching usage targets. An employee recognition program should reward those making exemplary contributions to energy conservation.

3. The annual volume of energy conservation upgrades should be doubled.

A 10 percent reduction in electricity usage is achievable in the first year of an aggressive energy conservation program. A usage reduction of 10 percent in fiscal year 2004 would save $36 million.

To accomplish the conservation goals outlined in the recommendations, 10 percent of the savings should be used to establish an expanded energy office and provide incentives to agencies. The net savings would then be about $32 million annually. If the City also reduced fossil fuel costs by 10 percent, another $15 million savings could be achieved, bringing the total to $47 million.
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Founded in 1932, the Citizens Budget Commission is a nonpartisan, nonprofit civic organization devoted to influencing constructive change in the finances and services of New York City and New York State governments.

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