



Solving the MTA's Budget Crisis and Reinvesting in Mass Transit: A Five-Step Platform for the Next Governor of New York State

Introduction and Overview: The Problem and Five Steps for Reform

The governor and state legislature are directly responsible for the MTA's finances: they decide how much revenue flows to the authority, and only they have the power to put the MTA on sound financial footing. While MTA executives can continue to cut costs at the margins, only a concerted plan led by the next governor can redirect investment to the state's mass transit system and avert a fiscal disaster. A true Albany reformer willing to make tough choices would move the MTA away from costly borrowing and make smart investments that will drive renewed economic growth, boost the state's economic competitiveness, and save taxpayers money in the long-term.

Made in Albany: The MTA Fiscal Crisis

- The MTA faces a \$900 million gap in its operating budget in 2011 and a \$2.1 billion deficit by 2014.¹
- The MTA holds a total of \$31 billion in debt,² which is more than twice the MTA's annual budget.
- Debt payments cost the MTA \$1.8 billion last year and are set to increase to \$2.1 billion next year and \$2.6 billion by 2014.³
- State lawmakers will force the MTA to borrow an additional \$9 billion for basic upkeep and repairs of the transit system over the next five years. This could drive up debt payments to \$3.5 billion a year by 2020.⁴

This transit platform proposes five steps the gubernatorial candidates should take if they are serious about reform in Albany and improving conditions for millions of daily commuters throughout the state. Each step listed below is backed by evidence and data showing why they are necessary.

1. Return the \$160 million taken from the MTA over the last year by the state legislature and prevent state lawmakers from using dedicated transit funds for other purposes.
2. End the fiscally irresponsible reliance on debt by restoring the state's contribution to the MTA capital program to 20 percent of the program's cost.
3. Protect millions of straphangers from threats to repeal the mobility tax which, if repealed, would result in yearly MTA budget deficits of over one billion dollars.
4. Create sustainable sources of transit revenue, funded by everyone who benefits from transit, including riders, drivers and businesses.
5. Lead New York's congressional delegation to secure higher levels of federal funding that would help expand public transit service access to underserved areas.



Mass Transit: New York's Economic Engine

- One quarter of the state's workforce relies on mass transit to get to work.
- The MTA provides 8.5 million rides every single workday, enough to transport the entire population of Connecticut to work and back every day.
- Without the New York City region's transit system, it would be physically impossible for the region to be the home of the largest concentration of jobs in the country and the source of \$1.2 trillion of economic activity.⁵
- The previous MTA capital program created 347,000 jobs over nine years.⁶
- New investments in the transit network spark private investment in New York's communities. New York City's \$2 billion investment in a subway extension to the far west side is expected to generate \$15 billion in private investment and the creation of the fourth-largest business district in the country.
- New York City households save \$19 billion on transportation costs every year because of access to mass transit.⁷

The Transit Platform: The Evidence and Data to Support Each of the Five Steps

- 1. Return the \$160 million taken from the MTA over the last year by the state legislature and prevent state lawmakers from using dedicated transit funds for other purposes by establishing a transit "lockbox."**
 - Since December 2009, state lawmakers have diverted approximately \$160 million from mass transit.
 - Diverting these funds led to the biggest cuts to transit service in decades: the elimination of two subway lines and dozens of bus routes.
 - A transit fund "lockbox" would prevent lawmakers from diverting these funds to patch short-term state budget deficits and ensure stability in the MTA operating budget.
- 2. End the fiscally irresponsible reliance on debt by restoring the state's contribution to the MTA capital program to 20 percent of the program's cost.**
 - Since 1992, the state has not contributed any funds directly toward the MTA's capital program. Before that time, state contributions made up a significant percentage of the MTA's capital program.
 - From 1982-1986, New York State contributions equaled 20 percent of total capital costs.
 - From 1987-1991, the state's share dropped to 11 percent of the total.
 - In 1992, state lawmakers slashed state funding for the MTA's capital program. Today's debt crisis can be attributed in large part to this unfortunate decision and the failure of subsequent administrations to restore funding.



- Investments in the MTA Capital Program will create jobs for New Yorkers at a time of high unemployment. The last MTA capital plan was estimated to create 38,500 jobs across New York State every year for nine years.⁸
- Capital Program investment will reduce the need for borrowing. This will lessen projected growth in debt service, which is paid out of the authority's operating budget, and relieve pressure on fare revenue.

3. Protect millions of straphangers from threats to repeal the mobility tax, which, if repealed, would result in yearly MTA budget deficits of over one billion dollars.

- The mobility tax is a vital source of funds for the MTA that will generate \$1.3 billion in revenue for the authority in 2010. Without these funds, the MTA would likely have to introduce more draconian service cuts and/or extreme fare hikes.
- Seventy-five percent of mobility tax revenue is paid by New York City businesses. Counties in the Hudson Valley contribute approximately 11 percent, and Long Island contributes about 15 percent.⁹
- MTA expenditures for MetroNorth service is roughly proportional to the amount of mobility tax revenue paid by Hudson Valley counties. Expenditures for MetroNorth are 11 percent of total MTA expenses.
- MTA expenditures for Long Island Rail Road and Long Island Bus service are roughly proportional to the amount of mobility tax revenue paid by Long Island counties. Expenditures for these services are 15 percent of total MTA expenses.

4. Create sustainable sources of transit revenue, funded by everyone who benefits from transit and reduced traffic congestion, including riders, drivers and businesses.

- Transit riders were forced to bear the full burden of Albany's dysfunction through the worst service cuts in a generation in addition to significant fare hikes.
- Motorists benefit from transit because the city and region's rail, bus and subway system replace 8.5 million car trips a day, greatly reducing congestion and delay.
- Without new sources of revenue, riders face more severe service cuts and fare hikes in the future. As a result, drivers will face increased congestion as straphangers abandon the transit system and drive instead.
- State Comptroller Thomas DiNapoli estimates that the MTA's operating budget will face a \$900 million gap in 2011 and have a \$2.1 billion hole by 2014.¹⁰
- The MTA currently has a \$9 billion hole in its next five-year capital plan. Without new, sustainable sources of revenue, the authority will be forced to rely on costly borrowing to fill this gap, placing the authority deeper in debt.
- Congestion pricing, bridge tolls and other variable charging plans that would provide critical revenue for the MTA (and avert future service cuts and unreasonable fare hikes) would benefit New York City's middle class, the majority of whom rely on mass transit to commute to their jobs in Manhattan.
- Road charging—be it congestion pricing, East and Harlem River bridge tolls or another variable charging plan—would bring greater fairness to the city and region's transportation networks.



5. Work with New York’s congressional delegation to secure higher levels of federal funding, for both capital and operating needs, which would help expand public transit service access to underserved areas.

- Transit is the backbone of the New York metropolitan region—the nation’s largest regional economy that generates \$1.2 trillion in economic activity a year.
- Our regional economy requires a high-functioning public transit system, especially in and around New York City—a major source of revenue for state government—because the majority of workers there rely on it every week. The transit system saves New York City households \$19 billion a year in transportation costs.
- Increased federal transit funding would improve transit access in under-served regions of the state and save families billions in transportation costs.
- Federal funding covers 80 percent to 90 percent of new highway projects but only 60 percent of public transit projects. Federal contributions are often much lower in practice. The federal government has agreed to fund only 27 percent of the first phase of the Second Avenue Subway, for example.
- The MTA is expecting \$6.6 billion in federal capital assistance over the next five years, or 48 percent of the capital program. But it should be getting closer to \$11.3 billion.
- New York’s current public transit system, the largest in the country, is an irreplaceable asset and an invaluable part of the nation's infrastructure. It currently serves 8.5 million riders daily, a population the size of New Jersey’s. The more it grows, the more it can deliver economic benefits to communities across the Tri-State region.
- Nationally, federal investment sufficient to bring the country’s public transit systems to a state of good repair would create 2.5 million jobs over six years, including more than 16,000 jobs in the manufacturing sector alone in New York State.¹¹
- Efforts to secure new federal funding for the MTA face a more favorable political environment than some observers presume: a new federal willingness to fund transit projects is illustrated by the \$546 million low-interest loan Los Angeles recently received to construct a light-rail line. The project is expected to create 5,000 jobs in the Los Angeles area.

¹ Thomas P. DiNapoli and Kenneth B. Bleiwas “Financial Outlook for the Metropolitan Transportation Authority,” Report 5-2011, Office of the State Comptroller. September 2010

² See “MTA Debt Outstanding” at: http://www.mta.info/mta/investor/pdf/debt_outstanding.pdf

³ Metropolitan Transportation Authority. *MTA 2011 Preliminary Budget, July Financial Plan 2011-2014*. Volume 1, July 1010.

⁴ Thomas P. DiNapoli and Kenneth B. Bleiwas. “A Review of the Proposed Capital Program for the Metropolitan Transportation Authority.” Report 10-2010, Office of the State Comptroller. September 2009.

⁵ \$1.2 trillion refers to the gross domestic product of the New York, Northern New Jersey, Long Island MSA. See the Bureau of Economic Analysis, Regional Economic Accounts: <http://www.bea.gov/regional/>



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⁶ Commission on Metropolitan Transportation Authority Financing. *Report to Governor David A. Paterson*. December 2008.

⁷ Joe Cortright. *New York City's Green Dividend*. CEO's for Cities, April 2010.

⁸ Commission on Metropolitan Transportation Authority Financing.

⁹ For the percent of payroll tax paid by each region see Thomas P. DiNapoli and Kenneth B. Bleiwas. "Financial Outlook for the Metropolitan Transportation Authority." Report 4-2010. June 2009. Expenditures calculated based on *MTA 2011 Preliminary Budget, July Financial Plan 2011-2014*.

¹⁰ Thomas P. DiNapoli and Kenneth B. Bleiwas "Financial Outlook for the Metropolitan Transportation Authority."

¹¹ Ethan Pollack and Rebecca Thiess. "Impact of alternate public transit and rail investment scenarios on the labor market." Economic Policy Institute. October 2010.