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PERMANENT CITIZENS
ADVISORY COMMITTEE TO THE MTA

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Statement of the Permanent Citizens Advisory Committee
to the Metropolitan Transportation Authority
to the Legislative Budget Hearing on Transportation

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The Permanent Citizens Advisory Committee to the MTA (PCAC) was established by the New York State Legislature as the umbrella organization for three legislatively-mandated Councils that represent the interests of riders of the Metro-North Railroad, Long Island Rail Road and New York City Transit system. A representative from each Council also participates as a non-voting member on the MTA Board. The Councils were created by the New York State Legislature in 1981 to monitor the operation of the MTA's operating agencies and make recommendations to improve their performance.

We appreciate the opportunity to express our views on proposals for the State's transportation budget and their impact on the MTA. The MTA undeniably has an immense impact on the downstate region, the State, and its citizens. We believe that this impact is, if anything, not fully appreciated, thus over the past year the PCAC, in partnership with the Urban Land Institute – NY, has pursued research aimed at clarifying the broad social and economic impacts that the MTA system has on the region and state.

Our aim in this research is not only to document the present impacts of the MTA system, but also to explore the reduction of positive economic and social impacts that could occur if the system's funding falls below the minimum required investment of $32 billion. We believe that this is a real and immediate danger. It is now clear to us that relative to other global cities, New York is significantly underinvesting in the maintenance, improvement, and expansion of our public transportation systems. Clearly, at $32 billion for 5 years (or $6.5 billion each year) the proposed capital program represents a significant investment, however the number quickly becomes dwarfed when compared with the $1 trillion value of MTA's asset base, which supports the region's $1.4 trillion Gross Domestic Product. Compared to its assets, the MTA's reinvestment rate comes to less than 1%.

We will be releasing our findings on February 11 and launching a website designed to improve public understanding of the MTA's Capital Program and the significance of its role in improving the area's economy, quality of life, and social equity. We look forward to further discussions on our findings over the coming months.

Moving on to the current Executive budget proposal, we find it to be disappointing in terms of its treatment of the MTA. The MTA currently has no approved Capital Program, as the

MTA's five-year proposal was disapproved by the MTA Capital Program Review Board last October. While gaining approval of an appropriately sized and adequately funded Capital Program is the MTA's most critical need for the future, the Executive Budget essentially does not address the MTA's looming capital resource needs. This leaves the MTA unable to make substantial long-term commitments to capital spending, threatening the State's construction and industrial sectors and the thousands of jobs that depend upon them.

In addition, we continue to be concerned by the ongoing diversion of revenues from dedicated transit funds to uses other than those for which they were originally intended. In this executive budget, $121.5 million of transit revenues from the Metropolitan Mass Transportation Operating Assistance program (MMTOA), which are dedicated to downstate operating needs, are used to fund a new capital account, while simultaneously increasing operating funds for the MTA with $37 million from general funds. A further diversion of dedicated funds is found in the continuation of the use of dedicated MMTOA transit funds to pay off state debt, in this case directing $20 million to pay the debt service on State "Service Contract" bonds. This diversion is planned to be repeated through 2019.

While an improving economy has strengthened the MTA's financial position, these positive developments could be short lived without adequate financial support from the State. The MTA's adopted budget projects a closing cash balance of only $64 million for 2015, which is a razor thin margin for an organization with an annual budget of over $13 billion. We are thankful that the MTA's finances allow for necessary service to be maintained, but the fact remains that this cushion is less than one half of one percent of the MTA's total expenditures.

Because this budget remains so precariously balanced, the stability of the MTA's funding is critical. The PCAC has long held that the MTA's funding structure should, as a whole, be stable, reliable, and able to keep pace with increasing operating costs from inflation and growing demands on the system. We continue to believe that safeguards, such as a meaningful lockbox for dedicated funds, should be in place to prevent raids on MTA funding. While the financial picture is encouraging, changes can be rapid. Many of us remember all too well that the MTA's abundant resources of 2005 and 2006 evaporated quickly into the financial crisis of 2009 and funding and service cuts of 2010.

In addition to stable operating funding, the State must adequately provide for the MTA's capital needs so that the vital work needed to maintain and improve bus, commuter rail, and subway service will not be delayed. There is much work to do. Although its infrastructure has been stabilized and reliability improved greatly from the 1970's and early 1980's, the MTA system requires a constant infrastructure renewal and maintenance effort to support this improved service. Rails and stations must be renewed, new buses, rail cars, and locomotives must be purchased, and signal systems must be replaced.

The capital needs of the MTA go beyond maintaining the system in a state of good repair. This region faces great challenges in adapting to new weather patterns, and the MTA's assets must be hardened against more frequent and severe storms. Further, ridership of the system is changing and expanding. We are seeing increasing demands on the MTA system, with ridership, particularly in the subways, reaching levels not seen since the 1940's and 1950's. There must be more capacity to handle these increasing demands. For this reason, the MTA needs modernized signal systems that allow more trains to travel over the same tracks and new fare systems that will allow it to efficiently collect fares and speed bus boarding. It must continue the development of better information systems, such as the subway "countdown clocks," the BusTime information system, and help point intercoms, which make travel more secure and efficient.

The MTA must follow through on the commitment that it and the City made to providing rapid bus service and to expanding and improving the rapid bus network. It needs to provide new commuter rail facilities and equipment to respond to changing population and development patterns on Long Island and in the five MTA counties north of New York City and to ensure that LIRR and Metro-North service meets federal mandates and is as safe as possible. This is not possible without a robust MTA Capital Program and the funding to carry it out.

If this funding is not provided to the MTA, the only way to fund the Capital Program is to bond against existing revenues. But it is not reasonable to ask an entity that cannot meet its full operating costs through farebox revenues and can only with great difficulty produce a self-sustaining budget to fund capital expenditures through bonds backed by fare revenues. Further, we continue to be concerned about the MTA's debt load. As of December 2014, the MTA's debt stood at approximately $34 billion. This is an exceedingly heavy burden and as a result of the borrowing to fund past capital programs, the MTA expects its annual debt service expenses to rise from $2.3 billion in 2014 to $2.9 billion in 2018. To provide some perspective, in 2018 the debt service that the MTA must pay will amount to over 49 percent of the fares that it collects.

We believe that the state must return to its legacy of support for the MTA and ensure that funding the 2015-2019 MTA Capital Program will not put pressure on the MTA's operating budget or on fares and tolls. The State must take a fresh look at funding sources that are tied to benefits that the system generates in terms of traffic reduction and real estate values. In addition to its overall economic benefit to the region and State, the MTA system generates specific and significant benefits to motorists and to owners, developers, and users of real estate. Creating a strong and equitable funding structure for the MTA may require consideration of measures such as rationalization of bridge and tunnel crossing charges to generate additional toll revenue while reducing the negative impacts of "bridge shopping" on neighboring communities. Another possibility for new revenue is the capture of a portion of the value created through the construction or improvement of transit facilities through special assessment districts or other means.

The State rose to the challenge of rescuing the MTA from its 2009 financial crisis and we ask for you to once again rise to the challenge of creating a more usable and efficient system. We ask for our elected officials to initiate and guide a public discussion that leads to a funding structure that will assure the long term success of the MTA system.