Statement of the Permanent Citizens Advisory Committee to the Metropolitan Transportation Authority Before the Senate Standing Committee on Corporations, Authorities, and Commissions and the Senate Standing Committee on Transportation on the Ravitch Commission Recommendations to Address the MTA's Operating and Capital Needs.

Thursday, February 19, 2009

Good Afternoon, my name is William Henderson. I am the Executive Director of the Permanent Citizens Advisory Committee to the MTA (PCAC). The PCAC is the umbrella organization for three legislatively-mandated Councils representing the interests of public transportation users: the Long Island Rail Road Commuter's Council, the Metro-North Rail Road Commuters Council, and the New York City Transit Riders Council. These members of the Councils, who are ex officio members of the PCAC, are volunteers who are appointed to their position by the Governor at the recommendation of local officials within the service area covered by each Council. A representative from each Council participates as a non-voting member on the MTA Board. The Councils were created by the New York State legislature in 1981.

The stakes that we face in maintaining our public transportation system are enormous. In a very real sense, public transportation is the engine that drives the region's economy. We cannot afford for this engine to stall. We must also consider the human costs of allowing our transportation system to decline. Millions of our neighbors depend upon the MTA system to get to work, to attend school, to visit family, and to get to medical appointments. For many of these persons, there is no other choice but to travel by transit, and cutbacks in the system will translate directly into cuts in the freedom to travel for the least advantaged among us.

As a community, we certainly have no choice but to depend heavily upon transit. If everyone in this region attempted to travel by private car, no one would be able to travel effectively. For this region to function, its transit system must function. Our environment and health depend on transit as well. You may have heard it said that the "carbon footprint" of each person in the New York region is considerably smaller than that in other parts of the United States. This is largely due to the ready availability and widespread use of transit. Our chances of improving our air quality and reducing the incidence of environmentally related illness such as asthma are directly related to maintaining a healthy transit system.

We stand at a critical point for the future of public transportation in this region, the MTA, and its operating agencies. We are well aware of the financial constraints that confront all levels of government and the changes in the national economy that are forcing hard choices in meeting public needs. These financial constraints have hit hard with respect to the MTA operating budget as well. The PCAC as well as a host of other transportation advocates had for many years warned of an approaching financial crisis at the MTA that is related to reliance on volatile revenue sources and sharply higher debt service costs, the effects of economic downturn has made the challenge that confronts the MTA all the more severe.

Receipts from taxes imposed on real estate transactions, which in 2007 made up over one third of the taxes and subsidies supporting the MTA, have been in a state of free fall. By the end of 2008 the value of monthly mortgage recording tax receipts supporting the MTA was less that one half that collected just one year earlier. The "Urban Taxes" that support the MTA, which are imposed on commercial real estate transactions and mortgage recordings, fared even worse. By the end of 2008 the monthly flow of revenue from Urban Taxes had declined by 73 percent over its level at the end of 2007.

At the same time, the decisions that have been made to rely so heavily on volatile real estate related revenue sources and the borrowing that has established the MTA as the fifth largest public debtor in the United States point to structural problems beyond our current economic difficulties. So, if you are asking whether the current crisis is the product of a temporarily faltering economy or of deep seated issues, our response is that both are responsible and decisive action must be taken to deal with the immediate loss of revenue and the structural shortcomings of the MTA's finances.

The first step that must be taken is to stabilize the MTA's finances. The PCAC has no doubt that the immediate financial issues facing the MTA are real and serious and that the State must step in to ensure that the MTA can continue to provide the public transportation service without which the State and region cannot thrive. In terms of the immediate financial situation, the MTA is required to bring its operating budget into balance each year. There are three viable alternatives: reducing expenditures, increasing MTA operating income, and increasing subsidies.

In the coming year, these three alternatives present limited options and will result in significant sacrifice. Modest efficiencies can be implemented in the short term and some budget cuts that do not immediately affect service can be made, but large expenditure reductions are simply not possible without service cuts. Most of the MTA's budget goes toward labor expenses and most of that labor is involved in providing service. Increases in MTA receipts are similarly constrained. In the short term marginal increases in revenue may be gained from more intensive use of advertising and real estate assets, but the only realistic way to substantially increase operating revenues in the short term is to increase fares. The third tool, increases in subsidies, will require legislation establishing new funding sources, and this of course means that someone must pay.

In the longer run, the possibilities are greater, but so are the challenges. Foremost among these challenges is the need to adequately fund the MTA's capital requirements. If nothing is done, it is likely that the upcoming 2010-2014 Capital Program, like the 2008-2013 plan prepared by the MTA last year but not adopted, will face severe funding shortfalls. This would leave us with an unenviable choice between watching the system deteriorate and engaging in borrowing that would threaten the system's financial future. This is exactly the situation that we faced in the past capital program and a prime reason that debt service will amount to 40 percent of fare and toll revenue by 2012.

The PCAC members believe strongly that the future success of our region demands that dedicated, reliable, and inflation-sensitive sources of funding be available to meet the needs of operating and maintaining the MTA system as well as improving the system to provide for the future regional growth. This is a point of view shared by a great many persons, but at this time, with shortfalls in funding for the present MTA Capital Program and unprecedented future needs, immediate decisive action is necessary.

In your hearing notice, you posed several questions about increasing the efficiency of MTA operations, and I want to address those issues. I want to be clear that the PCAC believes that there are a number of opportunities for increasing the efficiency of delivering MTA services. As in any large organization, back office and administrative functions can be streamlined, duplication can be reduced, and more efficient procedures can be implemented. We fully support current efforts to reduce waste and duplication. These efforts have resulted in a greater use of shared services and procurements and ultimately in the establishment of the MTA Business Service Center, which we see as an important step forward in improving administration in the MTA.

As much promise as the Business Service Center holds, it should also serve as a caution that major changes in the MTA will take some time. While it is expected to save in excess of $30 million per year when it is operational, the Center will not open its doors until 2011, and will have posted over $200 million in start up costs to that point. The savings that are projected are long term in nature, and will not do anything to solve the MTA's immediate financial issues.

Like the sharing of services, a greater and more effective use of technology presents a long term means of cutting the cost of running the MTA. One example where technology is currently reducing costs is the use of ticket and MetroCard vending machines. Many riders now prefer to buy fares from these machines, but some do not, and we will always need station agents to provide a human presence. The vending machines, however, are a good example of providing riders with a choice that is a win for them in terms of convenience and a win for the MTA in terms of efficiency.

We believe that improved fare collection processes and technologies are a prime area where efficiencies can be achieved, and systems that allow trains and buses to move along their routes more rapidly with fewer delays are a clear opportunity to improve efficiency, as they allow the system to provide more and better service without increasing the number of buses or trains needed on the streets or rails. Achieving these efficiencies takes time and requires stable funding, but we cannot afford to ignore their potential benefit.

True and substantial efficiencies are indeed possible in the long term, but we must be certain that changes characterized as increasing efficiency without cutting service do not in fact negatively affect service. I recall that several years ago there was some question about apparent high levels of marketing staffing at New York City Transit. It turned out that the employees in question were in fact the telephone information center employees who are critical sources of routings and directions for many of our riders, particularly elderly riders. We have also been told that efficiency dictates the closing of station booths and reduction of station staff. The riders whom we represent, however, will tell you another story; they see a human presence in the subway as crucial to the orderly and efficient operation of the system.

One of the greatest false efficiencies that we see promoted is the elimination of bus routes that parallel subway routes without careful consideration of the ridership of each service. Often the populations using buses and using subways in a corridor are quite different. Many riders use buses because they are unable to climb subway stairs without great difficulty, if at all. Since only 67 of 468 subway stations are accessible under the standards of the Americans with Disabilities Act, using the subways is often not a viable option. When these cuts are combined with possible increases of Access-A-Ride fares to $6 per ride, their unacceptability becomes obvious.

In another proposal, neighborhood feeder bus routes, which do not generate the level of ridership as routes on major thoroughfares, have been marked for reduction or elimination in the current MTA budget. Just last month the MTA issued the draft report of its Blue Ribbon Panel on Sustainability and the MTA, which recommended that the MTA take the lead in providing feeder services to major transportation routes. Now it proposes to eliminate service on existing routes that perform this function.

We need to look at transit as a system; the responsibility of the MTA is to provide service on both the heavily traveled parts of the system and the less traveled parts that are critical for access to heavily used services. While some routing efficiencies may be possible, we do not have a luxury system that is full of frills and redundancies. There are not many places that cutbacks would provide easy opportunities for savings, and we should not pretend that there are.

As for the recommendations of the Ravitch Commission, the PCAC strongly supports the Commission's approach to funding the MTA. First of all, the Commission recognized the critical need for an immediate infusion of funds into the MTA to stabilize its finances. The reservation of the first year of Mobility Tax revenues for the MTA's operating budget provides breathing space that the Authority absolutely needs. At the same time, the Commission recognized that the structural issues that have driven the MTA to the brink are largely a result of inadequate dedicated capital funding that has forced the Authority to rely on a farebox that does not even meet operating expenses to fund necessary capital expenditures.

We also support the Ravitch Commission's principle that those who benefit from public transportation should pay for it. We believe that the riders are already holding up their end of this bargain. Riders of MTA services contribute a greater percentage of the cost of their ride than users of any of this nation's large transit systems. In 2007 fares covered 57 percent of Metro-North operating expenses, 46 percent of Long Island Rail Road operating expenses, and 43 percent of New York City Transit operating expenses. Compare these figures to 32 percent in Boston, 27 percent in San Francisco, and 22 percent in Atlanta, and most will agree that MTA riders are doing their part. Still, if anyone believes that transit users are getting off easy, even under the Ravitch Commission proposals the riders' contribution to funding of the system will increase by 8 percent.

Business should pay for the MTA system because it has created billions of dollars in real estate value throughout the region and because the access to large pools of skilled and specialized labor gives the region's employers a decided competitive advantage. Motorists should pay for the system because is essential to ensure that our streets and roads are not impossibly choked with traffic. Maintaining a healthy public transportation system is essential to ensuring that those who must use the roads can use them effectively.

We applaud the Ravitch Commission's approach establishing a firm boundary between operating and capital funding. The division of expenditures into operating and depreciation expenses on one hand, and capital improvement expenses on the other will go a long way toward restoring the MTA to fiscal health. To maintain this system, the Commission proposes establishing the MTA Capital Finance Authority, which will serve as a lockbox for capital funds. Capital funding generated by the proposed Mobility Tax will not be available for operating expenses after the first year, and the MTA share of capital expenditures will come from this lockbox, rather than the farebox. This is critical to set the MTA finances on the correct path, and will establish a necessary discipline as well as a clear picture of actual funding needs.

We also strongly support the Ravitch Commission's call for improving transit service, particularly to those areas where little service exists today. We agree that in general these improvements will largely consist of new bus service, although we urge system planners to take a close look at the potential for more effective use of our rail resources. We also recognize that the means of paying for this service, the tolling of Harlem and East River Bridges, is extremely controversial. We believe that motorists should pay a portion of the cost of operating the MTA, but we are open to a range of possibilities to bring this about. For example, tolling could include some variation in pricing that would allow for reduced charges in some circumstances, or other revenue sources that rely on motorists could be used as a funding source.

The main thing that we ask of our elected representatives is to recognize that doing nothing is not an option and that there may be reasonable accommodations that can be made in the Ravitch proposals to avoid individual hardships. Basically, we want you to keep and open mind, to move toward a solution, and to agree upon a plan prior to the MTA Board meeting on March 25, when it is scheduled to vote upon fare and toll increase and service cut proposals. We are available to support you and assist you in your work in any way that we are able.