

TESTIMONY BY
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BEFORE THE
NEW YORK STATE COMMISSION ON MTA FINANCING

SEPTEMBER 15, 2008

Chairman Ravitch and Commission members, thank you for the opportunity to testify today. You have a tough job over the next two months, magnified by more than a decade of under-funding by the State and the City that has left the Metropolitan Transportation Authority awash in debt.

As Comptroller, I manage the city's \$105 billion pension system and oversee its contracts and budget. In that role, I know all too well the danger of heavy borrowing, rising costs and unfair allocations by our government partners.

We all also know the value of our extraordinary subway and bus system to our city's economic health. Virtually every other American city lives and dies by the automobile; we do not. In fact, transit ridership here has increased substantially since 1997. In a time of skyrocketing gas prices, we have a competitive advantage. But as we learned in the 1970s, when transit funding is shortchanged, we begin to lose that edge.

This panel offers us the a chance to correct some long-standing transit funding inequities and to find new funding sources or expand old ones, all with the goal of getting the transit system on track to financial health.

Today, I want to raise several points, including funding ideas worth \$7 billion over the next decade that would help bridge the MTA's budget gaps.

First, in spite of the difficult work you already are doing, I must urge you to take on one more task. As you know, the MTA recently proposed a \$2.7 billion reduction in the current 2005-2009 capital program – without, I may add, consulting with the public, elected officials and transit advocates.

That's not a smart way to do business if the MTA wants to gain the support of the public and heighten transparency. Late last month, the MTA withdrew this poorly conceived amendment. However, the financial challenge remains as construction and material costs grow.

Beyond that, though, the projects the withdrawn plan would have suspended – almost all of them in New York City and intended to bring the subways to a State of Good Repair – included many that are vital to the safety of city transit riders. I am especially concerned about the MTA's

proposal not to move forward on at least \$366 million in subway tunnel fan plant projects. These projects are essential for rider, worker and firefighter safety.

The upgrading of ventilation facilities is already seriously delayed: in 1992, the MTA said all fan plants would be upgraded by 2007. Later, the MTA pushed its goal to 2024, then 2028, as I discussed in my 2007 report, *A Review of MTA New York City Transit "State of Good Repair" Capital Expenditures*. Will these projects now wait until sometime in the 2030s?

Along with the NYPIRG Straphangers Campaign and the Uniformed Firefighters Association, I have urged the MTA to hold off on submitting a capital program amendment. Instead, the MTA should let your panel suggest how it might get at least some of these vital projects started in 2009, rather than waiting for the next capital program or eliminating some of them altogether.

Earlier this year, New Yorkers faced a fare hike; soon after, promised service enhancements fell by the wayside. Now, the MTA says it needs yet another fare hike cash infusion in July 2009 if other sources don't come through – an unacceptable second fare hike in just 13 months.

Subway and bus operating deficits didn't happen by accident: they are the result of more than a decade of City and State decisions to shortchange city transit riders. As the Independent Budget Office showed recently, City and State subsidies remained flat between 1990 and 2007 and have declined as a share of revenue. Meanwhile riders have been paying a proportionately higher percentage of NYC Transit's operating budget.

That must end. During the most recent fare hike battle, I showed how to correct this funding inequity. These proposals were not one-shots: they would provide at least \$7 billion for transit over the next decade.

I offer those ideas again. Here are several recommendations from my 2007 report, *Putting the Brakes on the Bus and Subway Fare*, that I urge you to include among your own recommendations:

- Full State funding of the 18-b operating assistance program to generate \$142.4 million annually from the State for the NYC Transit. Clearly the State should stop using revenue from the Metropolitan Mass Transportation Operating Account (MMTOA) to pay for its share of the 18-b Operating Assistance Program. MMTOA is funded almost entirely by taxes levied in the MTA service region. To take that money and call it State aid is disingenuous.
- Lifting the State and City cap on 18-b assistance – \$195.4 million from the State and \$195.4 million from the City to New York City Transit.

- Adjusting the MTA Bridges and Tunnels surplus distribution to be fairer to NYC Transit. This would reflect 39 years of inflation and also reflect the residency of facility users, 55% of whom come from NYC.
- Increased funding for school travel -- a proposal I that note the MTA includes in its 2009 budget -- for \$71.5 million – \$32.9 million from the City; \$38.6 million from the State.

Altogether, these and other proposals I made would bring in about \$728 million in additional subway and bus funding, plus modest increases for the commuter railroads. The actual total may vary slightly from year to year; these are estimates for 2008.

The MTA's money woes wouldn't be completely solved by my proposals. A looming \$17 billion dollar gap remains in the next MTA capital program, along with additional operating needs. Your panel must look at an array of funding possibilities. .

Your focus, I hope, will be on proposals for funding that are stable and that do not depend on the vagaries of the economy, as much of the MTA's current funding does.

Getting the additional money that I suggest the State and City contribute -- or any additional funds needed to bridge the rest of the massive MTA gap -- won't be easy. Legislators in tough budget times are reluctant to give new funding to an authority that in the past has operated without little consultation and openness.

To establish credibility, you should consider recommending that the Legislature create an independent Authority budget watchdog, as NYPIRG Straphangers Campaign has recommended, and review suggestions for how the MTA may tighten up its operations and open up its capital program decision-making.

I know that it may be tempting to include a July 2009 fare hike as a part of the financing package you propose. Since fare increases require only the MTA board's approval, they are a much easier to way to raise money to run the system and to pay off debt from past borrowing.

But we all know that fares are a regressive way to fund transit. Usually, we say that fare hikes should be the last resort. But, left without adequate State and City funding, the MTA often goes ahead and raises fares anyway, and those who can least afford it end up paying more.

I urge you not to take that approach in your recommendations.

Just how regressive is the subway and bus fare? A preliminary analysis by my office shows the overwhelming impact of the fare right now on workers earning low wages – around or just above the minimum wage.

Our calculations show that these workers now pay about seven percent of their income to get to and from work on our city's buses and subways.

Compare that to workers who earn \$100,000. They pay about one percent of their income for their rides to and from work

In other words, the portion of their income that low-wage workers pay for transit is about seven times more the portion paid by those earning \$100,000 annually. This isn't a handful of New Yorkers, either: about 530,000 out of the nearly 1.9 million New Yorkers who regularly use the subways and buses earn less than \$20,000 annually. These riders also have no choice; they must take transit if they are to get to work.

The fare hits workers earning \$50,000 a year disproportionately as well: they pay about two percent of their income on their commute. That is two times more than the share paid by the \$100,000 commuter.

That's just plain wrong. And fare hikes would only worsen the disparity.

I want to thank you for this opportunity to provide testimony today. I appreciate the chance to share my views on how we can bring more rationality and stability to the MTA's finances, while also showing how we should look to protect New York City commuters who already face major cost of living increases. As you do your work, my office also will continue to look at these question as well.

And now I would be happy to answer any questions.

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INCOME	% SPENT ON TRANSIT (work trips)	TOTAL NUMBER OF RIDERS (cumulative)	REGRESSIVITY Compared to \$100,000
\$14,000 (minimum wage)	7%	530,000 (less than \$20,000--\$27% of riders)	7 times
\$50,000	2%	1.3 million (70% of riders)	2 times
\$100,000	1%	--	--