



New York City Comptroller
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Bureau of Fiscal and Budget Studies

The “Invisible Fare”

Revealing NYC’s Full Contribution to the MTA

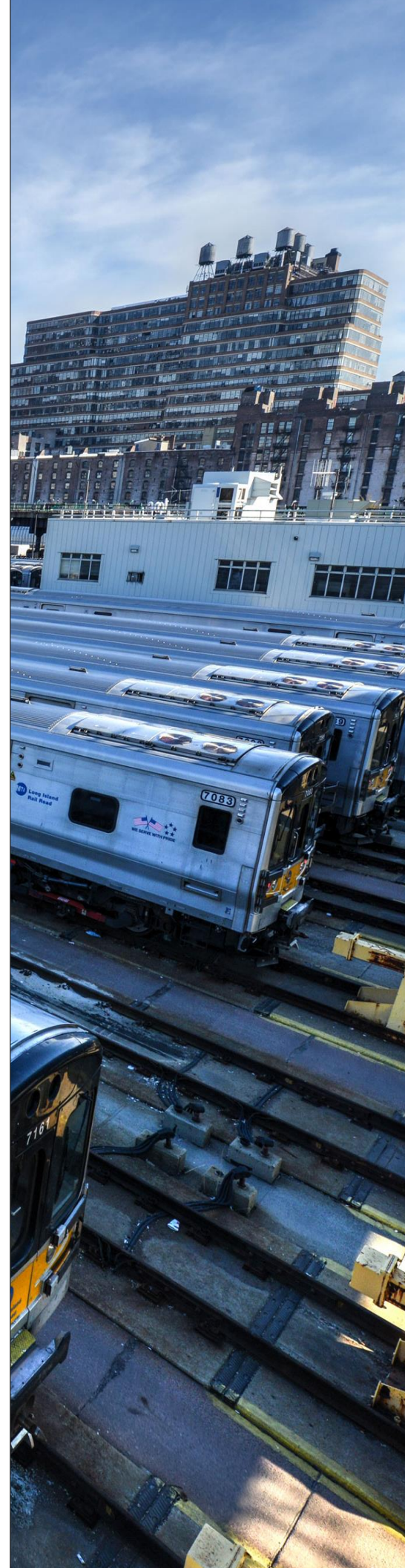


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I. EXECUTIVE SUMMARY

The Metropolitan Transportation Authority (MTA) is at a critical juncture. While ridership is up, underscoring the essential need for public transit in the lives of so many New Yorkers, delays are up as well. The latest Capital Plan is underfunded, and many of the system's riders can instinctively feel service declining. The challenge is clear: the MTA needs more funding from every level of government to expand and upgrade its operations, keep the system in a state of good repair, and meet the needs of a growing population.

Unfortunately, many discussions about solutions to the MTA's funding gap have significantly underestimated the City's financial support to the MTA, with estimates as low as \$100 million annually. As shown in this report by Comptroller Scott M. Stringer's office, the reality is that the City's contribution – through its riders, drivers, resident and business taxpayers, and the City budget – is far greater than most transit observers are aware of or have acknowledged.

A comprehensive examination of funding provided to the MTA finds that:

- The total operating contribution to the MTA from New York City's residents and businesses was over \$10.1 billion in FY 2014.
- Of that sum, New York City taxes, subsidies from the City's budget and direct expenditures accounted for \$4.8 billion. This effectively creates an "invisible fare" that is the equivalent to \$130 per month for every household, even before buying a MetroCard or paying a toll on an MTA crossing.
- Fare and toll receipts from New York City residents in FY 2014 accounted for \$5.3 billion, based on a recent survey of regional travel patterns.
- An additional \$612.5 million was provided to the MTA through direct City budget expenditures for transit police costs and transit debt service payments from the City budget and the City-created Hudson Yards Infrastructure Corporation.
- The current level of Federal support for the MTA's 2015-2019 Capital Plan should increase between \$1.6 billion to \$4.6 billion in order to bring the Federal Government's contribution in line with past support.
- The City's total capital commitments to the MTA have averaged \$296.3 million per year since 2005, including funds provided by the City for the extension of the #7 subway line to Manhattan's Far West Side.
- The City's contribution to the MTA pays for \$1.85 billion in transit debt service each year, an amount that is over ten times larger than the amount of debt service support provided by the State.

This report also examines the share of operating revenue collected by the MTA from non-city sources, concluding that New York State's FY 2014 contribution to the MTA's operating budget is less than half of what the City contributed in budget subsidies, and only 1/8th of what the City contributes in combined taxes and subsidies, exclusive of fares and tolls. All told, in FY 2014, New York State contributed only \$603.5 million in operating revenues to the MTA – about 4 percent of the MTA's budget. The report also concludes that the New York State counties in the Metropolitan Commuter Transportation District make a disproportionately higher contribution to the MTA budget.

As a final component of analysis, the report examines MTA and New York City Capital Plans dating back to FY 2005, finding that the MTA was only able to achieve an average of 46 percent of its planned capital commitments from the City. Further, the City's total contribution to the last two MTA Capital Programs has exceeded the New York State contribution by \$1.75 billion.

The report recommends that the State increase its operating support to the MTA and that the State and Federal Governments increase their support to the MTA's 2015-2019 Capital Plan.

II. INTRODUCTION

New York City's financial relationship with the Metropolitan Transportation Authority (MTA or "Authority") has been an ongoing topic of civic discussion. Following the latest MTA fare increase in March 2015, the quality of New York's transit services and the Authority's financial position have become a focal point for New Yorkers who care about the future well-being of the City and the region. Mistakenly, however, many public commentators have often cited a \$100 million figure when discussing the City's contribution to the MTA.

What appears to be not fully understood is that New York City's budget, taxpayers and businesses contribute billions of dollars to the MTA's operating budget. This supplements fares paid by City residents for New York City Transit (NYCT), MTA Bus Company, Staten Island Railroad, Long Island Railroad (LIRR) and Metro-North Railroad and tolls paid by City drivers crossing the nine bridges and tunnels that are owned and operated by the Triborough Bridge and Tunnel Authority (TBTA), a division of the MTA. The Authority's operating budget is more than two times greater than its annual capital plan spending.

Making matters difficult for the MTA and for New Yorkers whose livelihoods depend on the MTA, are the anemic levels of New York State support to the MTA's overall budget in recent years. In FY 2014, New York State contributed just 12.6 percent of what the City contributed through taxes and budget subsidies, despite a broader and more progressive tax base.

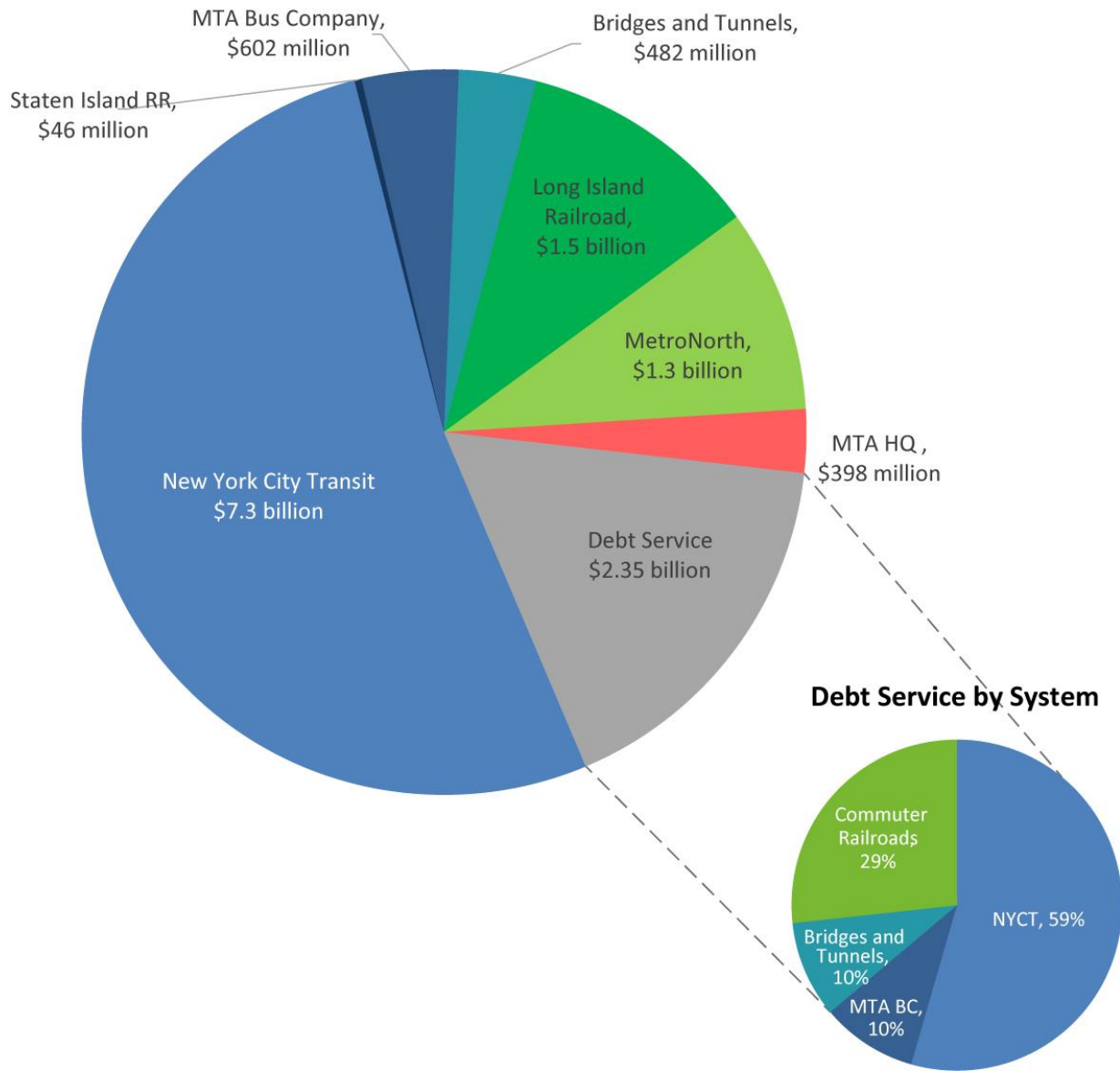
To get a full picture of New York City's total contribution to the MTA, the New York City Comptroller's Office has conducted a thorough examination of the myriad payments to the MTA, including fares, tolls, and 25 distinct tax and subsidy streams in order to better inform New Yorkers' understanding of what comprises the MTA's budget.

The MTA's capital and operating budgets are both examined in this report because they are closely interrelated. For example, a significant portion of the operating budget – 16 percent in FY 2014 – is the debt service cost on the MTA's own capital borrowing.¹ In fact, the City and New York State provide greater financial support to the MTA capital program through debt service in the MTA's operating budget than through the direct capital spending which has been the focus of the recent public discussion.

The MTA had \$13.9 billion in operating costs in FY 2014. The major components of the MTA's operating budget are detailed in Figure 1.

¹ Aside from City support to the operating budget for debt service, the City is responsible for \$301 million in debt service on the City's and the Hudson Yards Infrastructure Corporation's (HYIC) capital borrowing toward MTA projects.

Figure 1 – MTA’s \$13.9 billion Operating Costs by System, FY 2014



Source: New York City Comptroller’s Office from the MTA February 2015 Financial Plan

III. NEW YORK CITY'S CONTRIBUTION

In FY 2014, the total contribution from New York City residents and businesses to MTA services, including City budget subsidies and direct expenditures to the benefit of the MTA's operating budget, amounted to more than \$10.1 billion.² A general breakdown of the City's contribution is in figure 2.

Figure 2 – Categories of New York City's \$10.1 Billion Contribution to the MTA in 2014



Source: New York City Comptroller's Office from the MTA Financial Plan and NYMTC 2010 – 2011 Regional Household Travel Survey public use data.

The Comptroller's Office examined public use data from the New York Metropolitan Transportation Council's (NYMTC) 2010-2011 Regional Household Travel Survey to estimate the share of City residents' riding MTA subways, buses and regional rails and driving on MTA bridges and tunnels.³

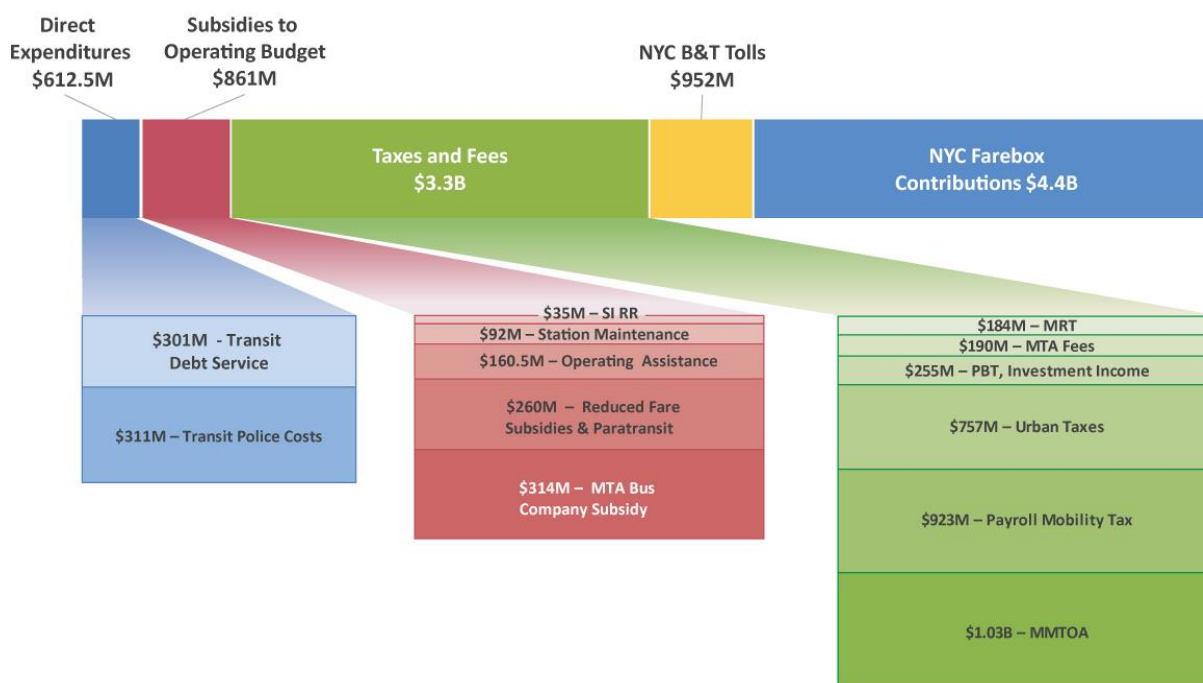
² Direct expenditures to the benefit of the MTA system includes funding for NYPD Transit officers and retirees and debt service on City and HYIC capital funding directed to transit. City funds were adjusted to correspond to the MTA's fiscal year which runs on the calendar year.

³ The New York Metropolitan Transportation Council (NYMTC) is a planning forum comprised of nine principal members and seven advisory members from across the region. Every (federally determined) transportation region with a population over 50,000 is required to have such a forum in order to receive federal transportation funding. NYMTC addresses regional transportation issues from making decisions on the use of Federal transportation funds to publishing regional studies and forecasts. A detailed explanation of the NYMTC 2010-2011 Regional Household Travel Survey methodology is included in the appendix to this report.

Applying those ridership and use shares, New York City residents contributed approximately \$5.3 billion in fares and tolls in FY 2014, with \$4.4 billion collected at the fare box and \$952 million collected at toll booths.

The remaining \$4.8 billion was paid directly from the City’s budget and from taxes, fees and subsidies from City residents and businesses. This includes \$3.3 billion realized through a combination of eight unique taxes and four fees or surcharges paid by City residents and businesses, as well as \$861.4 million from nine subsidies established either through law or through agreement which are paid from the City’s budget (taxpayer funded)⁴. Those taxes, fees, surcharges and subsidies – a total \$4.2 billion go directly to the MTA, paying for 68% of its entire operating budget. An additional \$612.5 million is paid as direct City budget and HYIC expenditures for the benefit of the MTA. A detailed breakdown of the City’s contribution is in figure 3.

Figure 3 – Detailed Breakdown of New York City’s \$10.1 Billion Contribution to the MTA in 2014 by Funding Source



Source: New York City Comptroller’s Office from the MTA February 2015 Financial Plan. For a more detailed description of taxes and subsidies in this figure, see Appendix – Glossary of Terms.

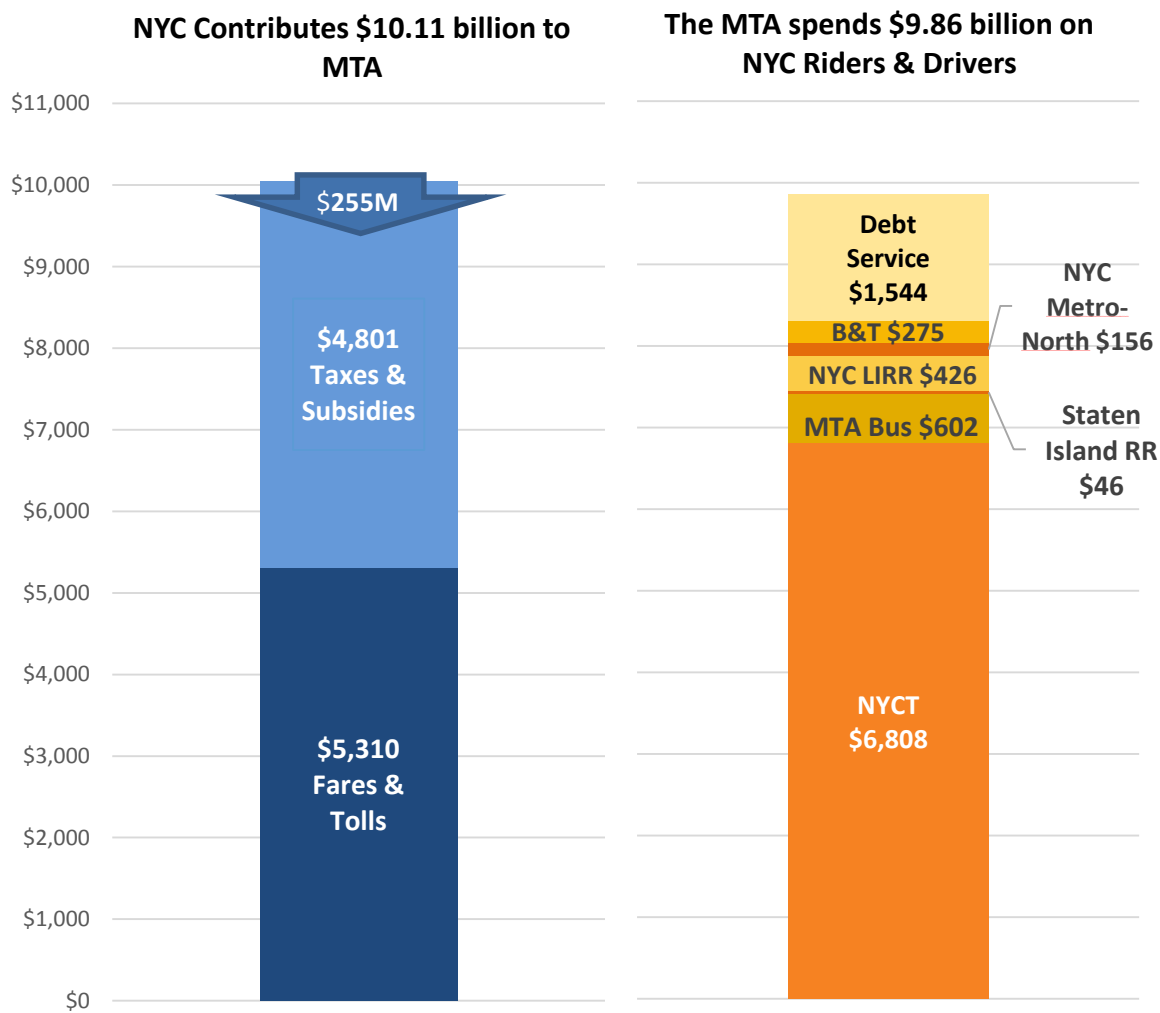
To put the City’s total tax and subsidy contribution (excluding fares and tolls) in perspective, it is the equivalent of each New York City household paying an “invisible fare” of more than \$130 per month to the MTA’s operating budget, even before buying a MetroCard or paying a toll on an MTA crossing.

As shown in Figure 4, the MTA operating budget spends \$9.86 billion to provide service to New York City residents. As a result, New York City spends approximately \$255 million more per year than the MTA spends on New York City riders.

⁴ Included in this total is \$189 million in New York City-based systems’ operating revenue which the MTA only identifies as “other revenue.”

Alternatively, when looking at the MTA’s budget by system the City based systems’ contribution – is \$288 million above what the MTA spends on the NYC based systems (NYCT, MTA Bus Company and Staten Island Railroad).

Figure 4 – New York City’s Contribution vs. MTA’s Expenses on NYC Residents - NYC contributes \$255 Million more for MTA Services than the MTA Spends on NYC Commuters



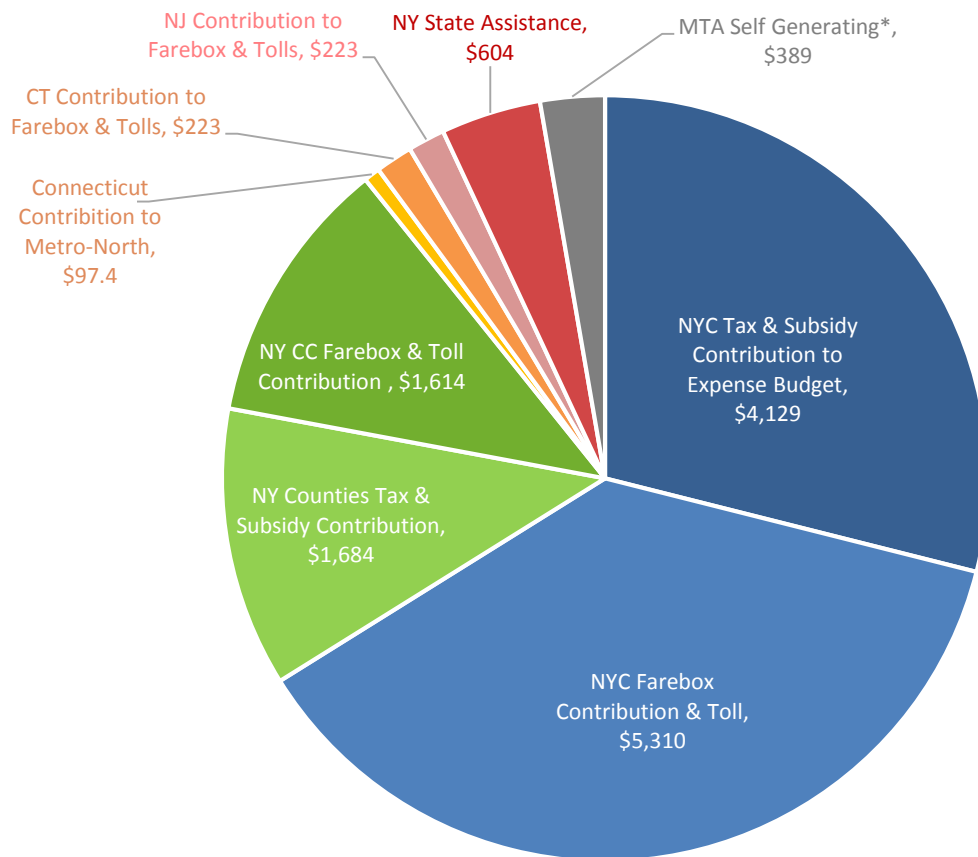
Source: New York City Comptroller’s Office from the MTA February 2015 Financial Plan. (\$ in Millions)

IV. COMPARATIVE CONTRIBUTION

This section compares the tax and subsidy contributions received by the MTA from New York City, New York State, New York and Connecticut commuter counties, and New Jersey to highlight the magnitude of the City’s overall contribution relative to its regional and governmental peers.

In 2014, the MTA reported revenues of \$14.3 billion which exceeded operating costs by \$325 million. Major components of the MTA’s 2014 revenues are detailed in Figure 5.

Figure 5 – Sources of MTA’s \$14.3 Billion in Revenue in 2014



(\$ in millions)

* Self-Generating Revenue includes MTA revenues from its investments, advertising, concession rent and other real estate transactions.

Source: New York City Comptroller’s Office from the MTA February 2015 Financial Plan and NYMTC 2010 – 2011 Regional Household Travel Survey public use data.

New York State

New York City is the economic engine of the State. With 45.1 percent of the State's revenues coming from the City's businesses and residents, the transit system that shuttles the City's workforce to and from their place of employment is one of New York State's most critical assets.⁵ However, beyond the New York transit region, the MTA and its various subsidiary systems have a far-reaching impact on the state economy that touches all corners of New York State. As just one illustration of this broad statewide impact, the MTA has estimated that its 2005-2009 Capital Program helped support over 42,000 jobs outside of the MTA transit region, generating an estimated economic impact in excess of \$5.3 billion in just those portions of New York State.⁶

While New York City is the core of the MTA region, New York State effectively wields complete control of the MTA through its governance structure. The MTA, established in 1968, is a State-created authority. The Governor nominates the Chairman and Chief Executive Officer of the MTA, subject to the approval of the New York State Senate. The Governor also appoints all 22 members of the MTA Governing Board. Included are 5 appointees who directly represent the Governor, 4 appointees who are recommended by the Mayor to represent the City, 7 appointees who are recommended by the County Executive of each of the Metropolitan Commuter Transportation District (MCTD) counties served by the MTA, four of whom cast one collective vote, 3 appointees who serve as non-voting members that represent the New York City Transit, Long Island Railroad and Metro-North Railroad rider councils and 3 appointees who serve as non-voting transportation union representatives.⁷

Despite the State's sole governing authority and the tremendous MTA-related economic benefits that are spread across New York, the State's contribution to the operating budget is less than half of what the City contributes in budget subsidies, and only 1/8 of what the City contributes in combined taxes and subsidies, excluding fares and tolls. In FY 2014, New York State, with its broader and more progressive tax base, contributed only \$603.5 million to the MTA – a mere 4 percent of the MTA's operating budget.

Metropolitan Commuter Transportation District (MCTD) counties

New York MCTD county riders account for almost 21 percent of total MTA expenses. Taxes and subsidies provided by the MCTD counties make up 50 percent of their total contribution to the MTA, with fares and tolls accounting for the remaining half. Fares and subsidies from those counties pay for 23 percent of the MTA's budget, meaning that, like City riders and drivers, New York State riders and drivers living outside of the City pay more than their share to the MTA's budget.⁸

Connecticut and New Jersey

When taking into account Connecticut's use of the other MTA systems, its attributed expenses are \$477 million and its total contribution is \$321 million – \$156 million short of its 2014 contribution.

⁵ "Giving and Getting – Regional Distribution of Revenue and Spending in the New York State Budget, Fiscal Year 2009-10." The Nelson A. Rockefeller Institute of Government at the University at Albany. December 2011.

⁶ "Built in New York – The Economic Impact of MTA Capital Program Investments on New York State." October 2011. Areas outside of the MTA transit region include the Southern Tier region, Western New York and Finger Lakes region, Central New York and Mohawk Valley region, and the North Country and Capital District region.

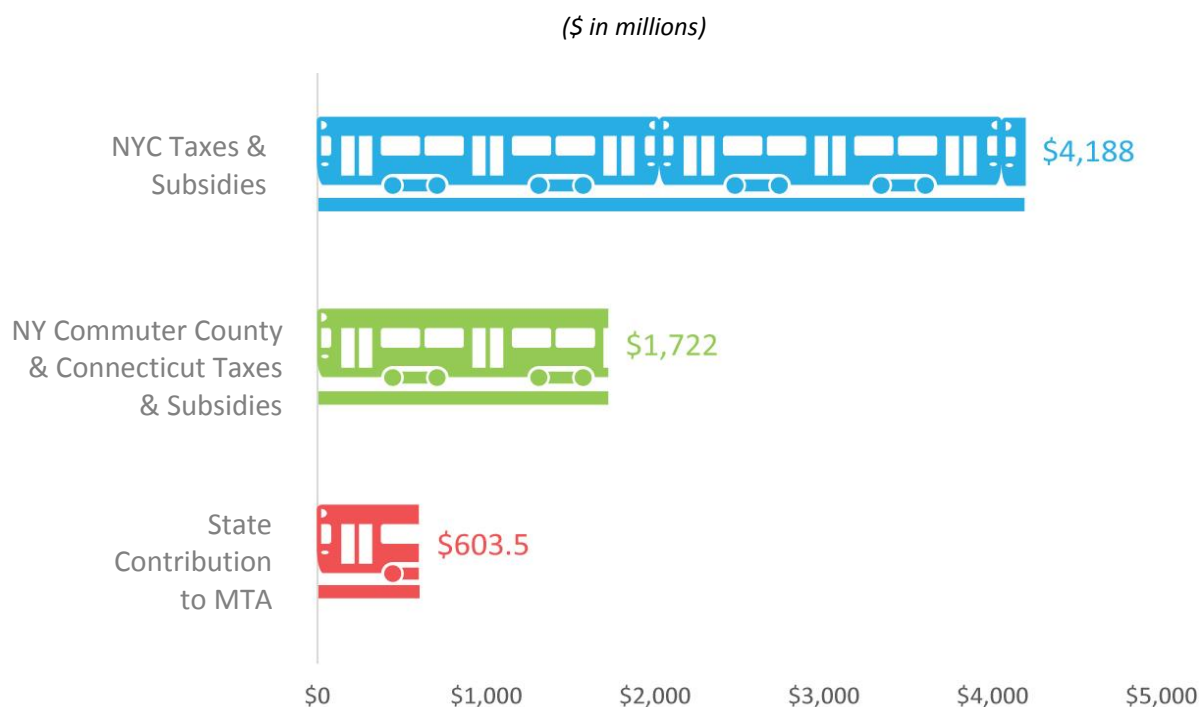
⁷ In addition to New York City's five boroughs, the Metropolitan Commuter Transportation District includes the following New York counties: Dutchess, Nassau, Orange, Putnam, Rockland, Suffolk and Westchester.

⁸ Ridership calculations are based on an analysis of public use data from the 2010-2011 Regional Household Travel Survey conducted by the New York Metropolitan Transportation Council. Ridership is apportioned based on the home county of commuter railroad riders. However, because disparate fares are charged based on where a rider boards, fare revenues are not weighted by distance, which may result in an underestimation of fare revenues.

The MTA’s Financial Plan shows Connecticut’s subsidy increasing to \$144.8 million in 2015, which will narrow the gap to a \$109 million shortfall.

New Jersey’s contribution, which comes solely from fares and tolls was \$223 million, \$65 million less than their proportional expenses of MTA services.

Figure 6 – The MTA Collected \$6.5 Billion in Tax and Subsidy Revenues in 2014: NYC vs. Commuter Counties* vs. NY State



Source – NYC Comptroller’s Office from the MTA February 2015 Financial Plan.

*Commuter Counties include NY MCTD Counties & CT

V. FARES AND TOLLS

The most direct financial interaction that New Yorkers have with the MTA on a day-to-day basis is at the system’s fare boxes and tollbooths. In 2014, the MTA collected \$7.4 billion in fares and tolls, which accounted for just over half of their revenues. Of that total, approximately \$5.3 billion or 72 percent can be attributed to New York City residents.

Fares

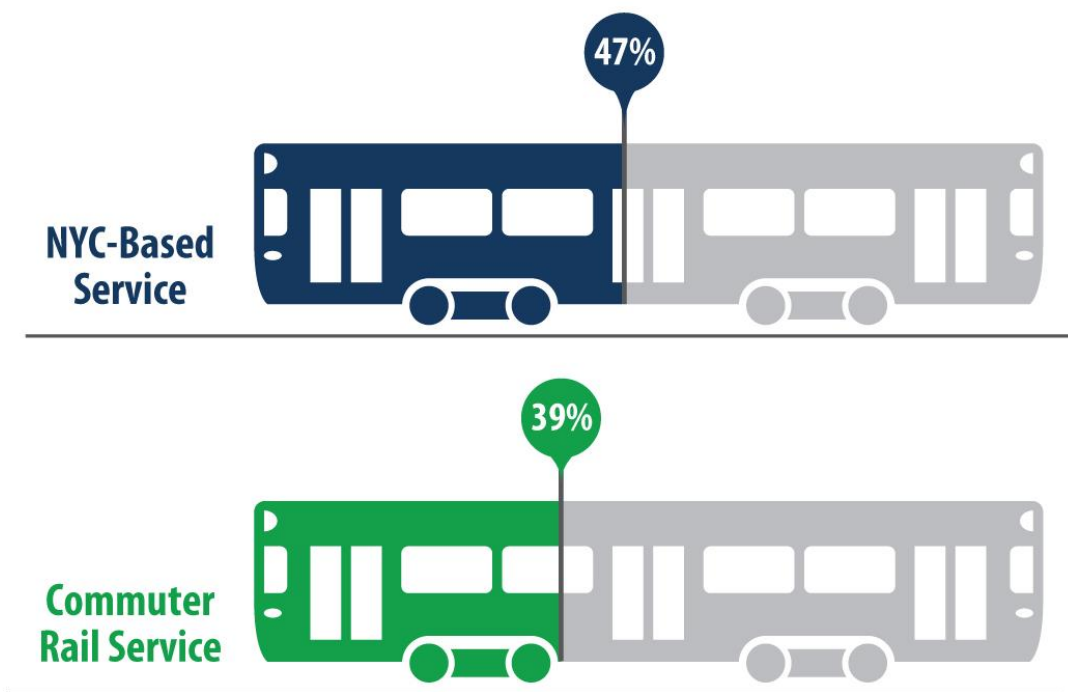
In 2014, an estimated \$5.7 billion in fares were collected from subway, bus and commuter rail riders. Of that total, approximately \$4.36 billion in fare revenue was collected across the MTA’s transit modes from New York City residents.⁹ Fare collections support the operating costs of the MTA’s

⁹ The New York City fare revenue calculations are based on an analysis of public use data from the 2010-2011 Regional Household Travel Survey conducted by the New York Metropolitan Transportation Council.

transportation systems, but operating ratios – the share of the cost of service expenses that are paid for by fares – vary among the different MTA systems.

The fares collected by the New York City-based systems paid for approximately 47 percent of operating costs of those systems, including debt service. By contrast, fares collected on the Long Island Railroad and the Metro-North Railroad combined paid for only 39 percent of the MTA’s total commuter railroad operations in 2014.¹⁰ In other words, commuter rail fares are more heavily subsidized than fares for New York City-based service. Commuter rail riders would have to pay \$267 million more in fares per year to have the same operating ratio as the New York City-based systems.

Figure 7 – Proportion of 2014 MTA Operating Costs Paid by Fares



Source: New York City Comptroller’s Office from the MTA Financial Plan and NYMTC 2010 – 2011 Regional Household Travel Survey public use data.

Tolls

The Triborough Bridge and Tunnel Authority (TBTA) operates nine bridges and tunnels, all of which are located within New York City’s five boroughs.¹¹

New York City drivers subsidize a portion of MTA’s overall operating costs through their toll payments. Approximately 57 percent of regional motorists that reported using the TBTA bridges and

¹⁰ New York City-based systems include New York City Transit subways and buses and the Staten Island Railroad.

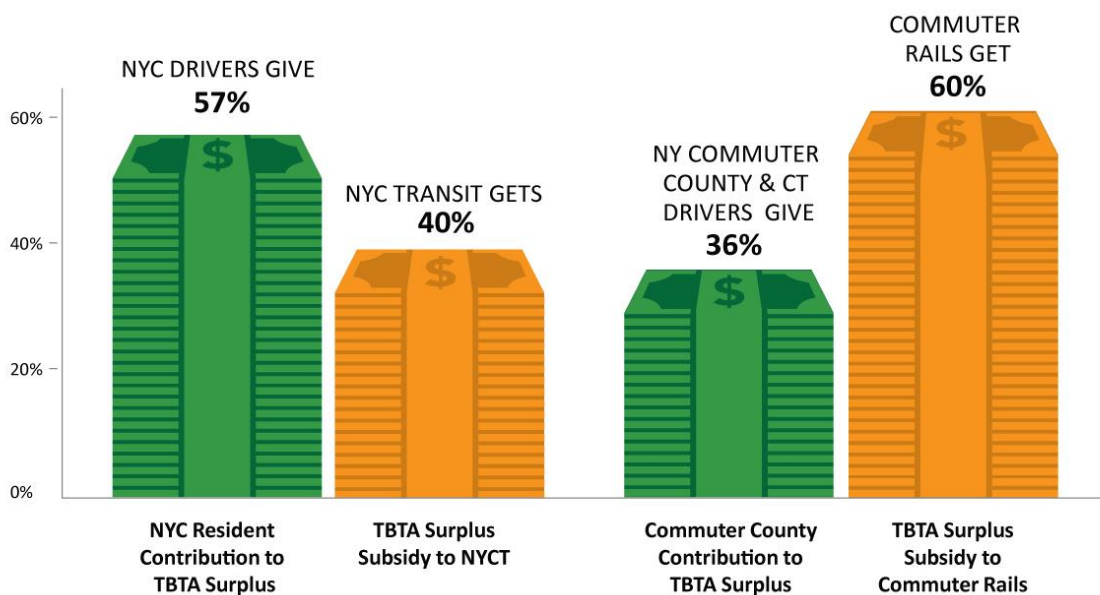
¹¹ TBTA Bridges and Tunnels include: the Bronx-Whitestone Bridge, the Cross Bay Bridge, the Henry Hudson Bridge, the Hugh L. Carey Brooklyn Battery Tunnel, the Marine Parkway Bridge, the Queens-Midtown Tunnel, the Robert F. Kennedy Triborough Bridge, the Throgs Neck Bridge and the Verrazano-Narrows Bridge.

tunnels reside in New York City.¹² Thus, City residents paid approximately \$952.4 million of the tollbooth revenue collected on TBTA bridges and tunnels in 2014.

Bridge and tunnel toll collections generate a considerable surplus for the MTA. For example, in 2014, bridges and tunnels generated \$1.7 billion in toll revenues. However, the operating cost of the bridges and tunnels was only \$482 million in 2014. The resulting \$1.2 billion surplus is used to support debt service and other operating costs. In 2014, the MTA transferred \$596.4 million of this TBTA surplus to New York City Transit and the commuter railroads.

Despite that 57 percent of regional motorists using the nine TBTA bridges and tunnels reside in New York City, toll distribution formulas enacted by the New York State Legislature are weighted heavily in favor of the MTA’s commuter rail systems based outside of New York City in MCTD counties and in Connecticut. As a result, New York City subways and buses received 30 percent less than what City drivers contributed, or 40 percent of the TBTA’s bridge and toll surplus, while the commuter rails received 66 percent more than their proportional share in 2014.

Figure 8 – Triborough Tunnel & Bridge Authority Surplus Disproportionately Shared



Source – NYC Comptroller’s Office from NYMTC 2010 – 2011 Regional Household Travel Survey public use data.

VI. CAPITAL

Most agree that the MTA needs an efficient and reliably funded Capital Program in order to continue to meet the transit needs of the metropolitan region. However, the current funding shortfall for the MTA’s \$32 billion 2015-2019 Capital Program exceeds \$14 billion. If left unfunded, MTA officials have suggested that the MTA may have to resort to fare increases of up to 15 percent and additional borrowing in order to support the maintenance and growth of the City and the region’s transit systems.

¹² The TBTA bridge and tunnel crossing data is based on an analysis of public use data from the 2010-2011 Regional Household Travel Survey conducted by the New York Metropolitan Transportation Council.

An assessment of the current MTA Capital Plan compared to prior capital plans is challenging because it is still only partially funded. However, using previous MTA Capital Plans, some general conclusions can be drawn in order to project appropriate funding levels for the MTA’s 2015-2019 Capital Plan.

Figure 9 details the planned and received funding levels from the MTA’s two previous capital plans and Figure 10 breaks down the amounts that have been pledged to the 2015-2019 Capital Plan thus far.¹³

Figure 9 – MTA Capital Plan Funding Sources, 2005 - 2014

MTA Capital Plan Funding Sources				
2005-2009 Program*	Planned	Planned %	Received to date	Received %
Federal	\$9,103	37.0%	\$8,245	36.7%
City	\$2,815	11.5%	\$2,575	11.5%
State	\$1,450	5.9%	\$1,064	4.7%
MTA	\$1,324	5.4%	\$691	3.1%
Borrowing	\$9,884	40.2%	\$9,884	44.0%
TOTAL	\$24,576		\$22,459	
2010-2014 Program*	Planned	Planned %	Received to date	Received %
Federal	\$6,442	18.5%	\$5,817	34.0%
Federal - Sandy	\$9,431	27.1%	\$2,729	16.0%
City	\$804	2.3%	\$388	2.3%
State	\$770	2.2%	\$150	0.9%
MTA	\$1,689	4.8%	\$745	4.4%
Borrowing	\$15,715	45.1%	\$7,279	42.5%
TOTAL	\$34,851		\$17,108	
* As of 4/30/2015				

Source: NYC Comptroller’s Office from MTA Capital Program Oversight Committee reports, the 2015-2019 MTA Capital Program report and the NYS Division of Budget.

¹³ The Federal contribution to the 2005-2009 Capital Program includes \$654 million from the American Recovery and Reinvestment Act of 2009.

Figure 10 – Pledged Contributions to the \$32 Billion 2015-2019 MTA Capital Plan

MTA 2015-2019 Capital Plan Contributions			
\$ in millions			
2015-2019 Program	Pledged	Pledged %	% of Total Capital Plan
Federal	\$6,782	38.0%	21.2%
City	\$657	3.7%	2.1%
State	\$1,000	5.6%	3.1%
MTA	\$2,289	12.8%	7.1%
Borrowing	\$6,942	38.8%	21.7%
Other	\$200	1.1%	0.6%
TOTAL	\$17,870	100.0%	55.8%

Source: MTA 2015-2019 Capital Program and New York State Division of Budget¹⁴

Based on historic contributions to the past two MTA Capital Plans detailed in Figure 9 and the present funded levels detailed in Figure 10, current levels of Federal support are underwhelming and need to be increased.

Federal

There are two useful methods to gauge the Federal Government’s support to the 2015-2019 MTA Capital Plan. Both of the assessments suggest that the Federal contribution to the current MTA Capital Plan is falling short of its support for the two previous capital plans.

As one measure, the planned Federal contribution to the 2005-2009 and 2010-2014 MTA Capital Plans comprised 26.2 percent of the combined total while the received Federal contribution comprised 35.5 percent. Applying those percentages to the 2015-2019 MTA Capital Plan suggests that the total Federal Government contribution should increase by between \$1.6 billion and \$4.6 billion.

The Federal Government’s planned contribution of \$9.1 billion to the MTA’s 2005-2009 Capital Plan provides another benchmark for comparison. As it now stands, the planned Federal commitment of \$6.8 billion in the 2015-2019 MTA Capital Plan is only 74.5 percent of their planned commitment to the 2005-2009 Capital Plan.

Borrowing

The 2015-2019 Capital Plan proposes \$6.9 billion in borrowing. Borrowing is universally relied upon to help finance major capital infrastructure investments and is typically used to fill a capital plan’s commitment gaps. It is generally considered the least favored option because lower borrowing levels help minimize debt service ratios, protect bond ratings and put less pressure on the need for potential new fare increases.

¹⁴ The City contribution listed in this chart reflects the amount prior to when the City increased its commitment in its May Capital Commitment Plan. The total amount available is now \$854 million.

City

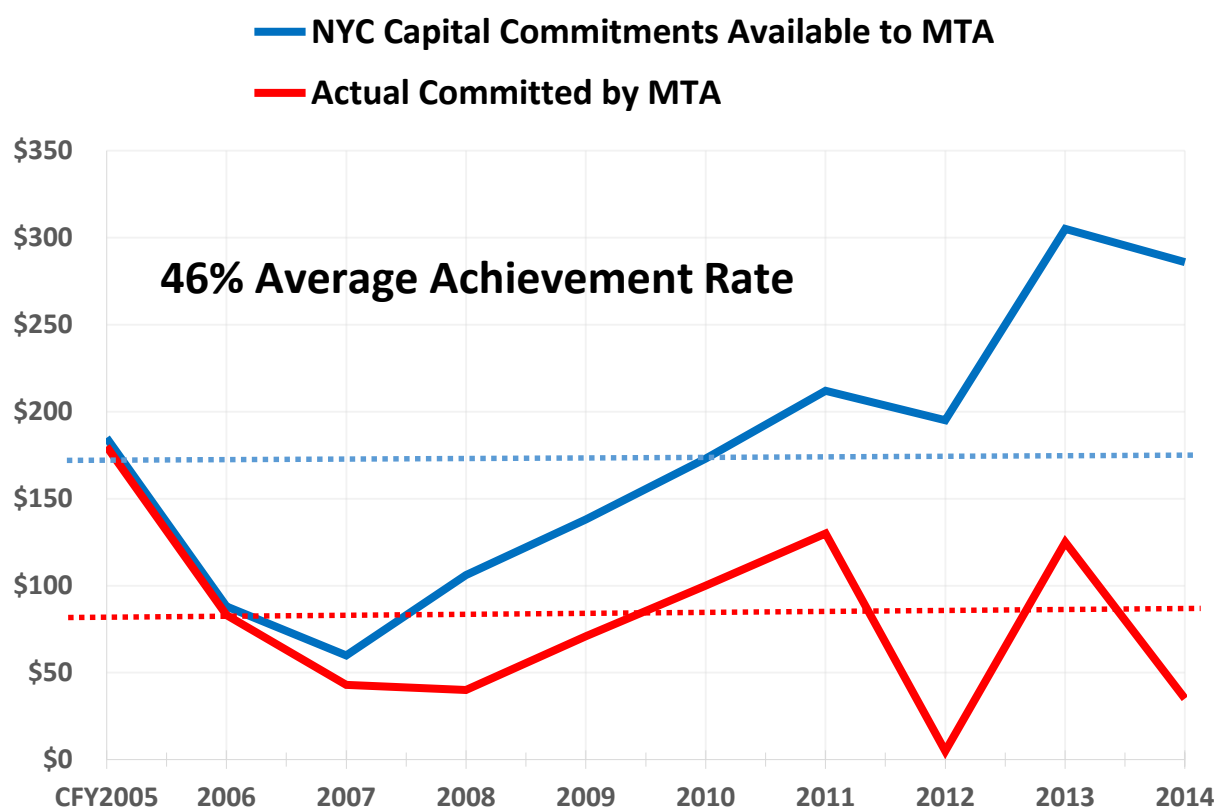
Although transit observers often characterize the City's contribution to recent MTA Capital Plans as approximately \$100 million annually, an examination of past and current MTA Capital Plans dating back to its 2005 as well as an analysis of debt service payments funded by the City demonstrates that this characterization is significantly understated.

Two different sources – New York City's Executive Capital Commitment Plans from City fiscal years 2005 – 2014 and the MTA's Capital Program Oversight Committee (CPOC) report published on May 18, 2015 – detail New York City's capital commitments to the MTA.

Based on data published in New York City's Executive Capital Commitment Plans from City fiscal years 2005 – 2014, the City's planned capital commitments averaged \$175 million per year. However, of the total planned capital commitments from the City, the MTA was only able to achieve an average of \$81 million in capital commitments per year, effectively signing contracts for just 46 percent of planned commitments. Additionally, there was substantial volatility in the range of the MTA's capital achievement rates, with a high of 97 percent achieved in FY 2005 and a low of only 3 percent achieved in FY 2012.

Figure 11 illustrates the divergence between New York City's planned capital commitment amounts versus capital commitments achieved by the MTA as listed in the New York City Capital Commitment Plans.

**Figure 11 – New York City's Capital Contributions to the MTA
City Fiscal Years 2005 - 2014**



Source: New York City Comptroller's Office from New York City Capital Commitment Plans

Other data published by the MTA's CPOC provide a different measure of the City's capital contributions. The most recent CPOC report indicates that New York City contributed approximately \$2.575 billion to the MTA's 2005-2009 Capital Program and \$388 million to the MTA's 2010-2014 Capital Program.¹⁵

The variance in the New York City Capital Commitment Plan capital commitment data and the CPOC capital commitment data is explained by over \$2.1 billion provided by the City to the 2005-2009 Capital Plan for the expansion of the #7 subway line to Manhattan's Far West Side, which CPOC rightly treats as a New York City capital contribution.¹⁶

Thus, over the course of the last two five-year capital plans, the City's total capital contributions have averaged \$296.3 million per year – nearly as much as the MTA has requested from the City for the 2015-2019 Capital Plan in a letter sent to the City two weeks ago. Currently, the MTA's 2015 – 2019 Capital Plan calls for an additional City commitment of approximately \$125 million annually, beginning CY 2015. The City's May 2015 Capital Plan for the MTA projects planned commitments averaging \$171 million each year, substantially below the historic average from the last ten years.

On top of all that, the City also contributes to the MTA's Select Bus Service program through the New York City Department of Transportation's Capital Budget. \$42.73 million in capital funding has been committed from FY 2015 – FY 2018 for the expansion of Select Bus Service on Webster Avenue in the Bronx, 34th Street in Manhattan, Woodhaven Boulevard in Queens and Hylan Boulevard in Staten Island.

New York State

As illustrated in Figure 9, New York City's planned commitments from FY 2005-2014 were nearly 2/3 more than New York State's planned commitments. Indeed, in terms of the amounts received to date, the New York City contribution to the last two MTA Capital Programs exceeded the New York State contribution by approximately \$1.75 billion.

Now, for the first time in recent memory, New York State's contribution to the MTA's 2015-2019 Capital Plan exceeds the City contribution.

However, while New York State's planned contribution to the 2015-2019 plan is relatively high, its record of funding its commitments to the past two MTA Capital Plans may be a source of skepticism in terms of how much will actually be delivered. For example, the MTA CPOC reports that 73.4 percent of State funding to the 2005-2009 Capital Plan has been received while only 19.5 percent of State funding to the 2010-2014 Capital Plan has been received – a combined total of 55 percent for the last two capital plans.¹⁷

Debt Service Support for the MTA Capital Program

Once capital funding is secured by the MTA, debt service on capital plan borrowing is what continually supports capital projects. Capital borrowing must be paid back and the best measure of support for that borrowing are the amounts paid for debt service.

¹⁵ Capital Program Oversight Committee report, published May 18, 2015.

¹⁶ The Hudson Yards Infrastructure Corporation pays debt service through Payment in Lieu of Taxes (PILOT) agreements and other income that would otherwise be collected by the City.

¹⁷ Received amounts are as of April 30, 2015.

The City's contribution to the MTA pays for \$1.85 billion in transit debt service each year.¹⁸ Allocated by ridership estimates, the MTA's debt service cost on City riders is \$1.54 billion or 15.7 percent of the total amount that the MTA spends on New York City riders. The City and State pay that debt service through their contributions to the MTA's operating budget. In addition, in FY 2014, the City directly paid \$301 million in debt service for transit capital projects while the State contributed only \$180 million, approximately \$85 million plus 16 percent of their support to the MTA operating budget.¹⁹ All told, the City pays over ten times more in debt service support for MTA Capital Plans than the State does.

VII. CONCLUSION

A well-functioning, appropriately funded Metropolitan Transportation Authority is critically important to the City, the State and even the nation. In addition to serving those that live, work and visit the City, the MTA's vast transit network is the link to New York City – from Wassaic in the far-north and Montauk in the far-east, bringing commuters in, out and around the Big Apple. The MTA's transit system functions as the key arteries and veins of the New York Metropolitan Area's economy – the largest in the nation. Given the findings included in this report, the Comptroller's Office recommends that the State increase its support to the MTA's operating budget and the Federal Government significantly increase its support to the MTA's 2015-2019 Capital Plan.

¹⁸ This figure is based on an apportionment of the City's ridership, which is based on an analysis of public use data from the 2010-2011 Regional Household Travel Survey conducted by the New York Metropolitan Transportation Council.

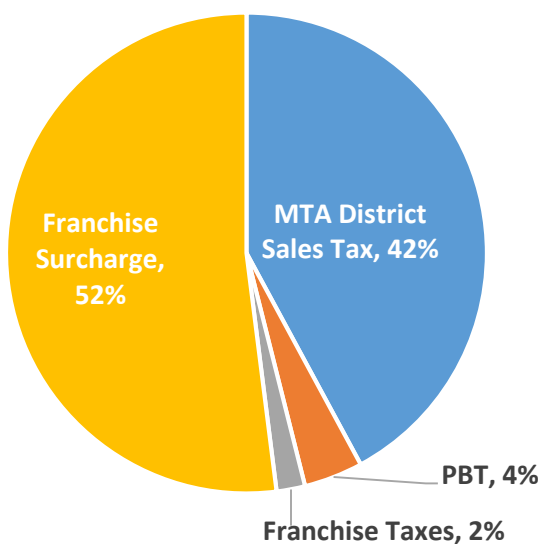
¹⁹ The FY 2014 State CAFR, Note 6 – Bonds Payable section on page 70, was used to estimate the State debt service related to the MTA. There were \$951 million of State bonds outstanding for MTA purposes at the beginning of FY 2014, with \$36 million redeemed during FY 2014. Using an estimated interest rate of 5 percent, this derives an interest cost of \$47.6 million. Combined with principal redeemed of \$36 million, this results in an estimated cost of \$83.6 million.

Glossary of Terms

Franchise Taxes & Surcharge– Imposed on transportation and transmission companies, (phone companies, for example) these taxes are assessed on capital stock, earnings and mobile communications services. The **Franchise Surcharge** is imposed on the portion of the franchise taxes attributable to business conducted in the counties served by the MTA.

The Metropolitan Mass Transportation Operating Assistance Account (MMTOA) – The largest of the City-sourced taxes and fees that fund the MTA operating budget, the MMTOA account is subject to annual appropriation and is funded from different tax sources- the Petroleum Business Tax, Franchise Taxes on transportation and transmission companies and Franchise Surcharges. The composition of the account is shown in figure 12.

Figure 12 – Composition of MMTOA Account in 2014



Source: State Fiscal Year 2014 Actual Receipts from the 2015 MTA Combined Continuing Disclosure Filings, Appendix A to MTA and TBTA All Debt Outstanding

Mortgage Recording Tax (MRT) – The Mortgage Recording Tax is assessed on all new mortgages at varying rates based on property type and mortgage size.

MTA Aid – Enacted in 2009, MTA fees assessed on car rentals, new driver’s license and registration applicants within the Metropolitan Commuter Transportation District and a \$0.50 surcharge on taxi rides originating in New York City all comprise MTA Aid.

MTA Bus Company Subsidy – In 2004 the City agreed to assume the operating costs of the newly created MTA Bus Company, which took control over express bus service from seven private companies.

MTA District Sales Tax – A 0.375 percent regional sales and compensating use tax imposed on sales and services within the Metropolitan Commuter Transportation District.

Operating Assistance – As per Section 18b of the State Transportation Law, the City matches the State’s operating contribution to the MTA, enacted in the State budget each year.

Payroll Mobility Tax – Also known as the Metropolitan Commuter Transportation Mobility Tax, the payroll mobility tax is imposed on certain employers in the metropolitan commuter transportation district. A tax of 0.11 percent to 0.34 percent is levied on eligible employers, depending on the amount of quarterly payroll expenses.

Petroleum Business Tax (PBT) – A privilege tax imposed on petroleum businesses operating in New York State. The Petroleum Business Tax is imposed at a cents-per-gallon rate on petroleum products sold or used in the state.

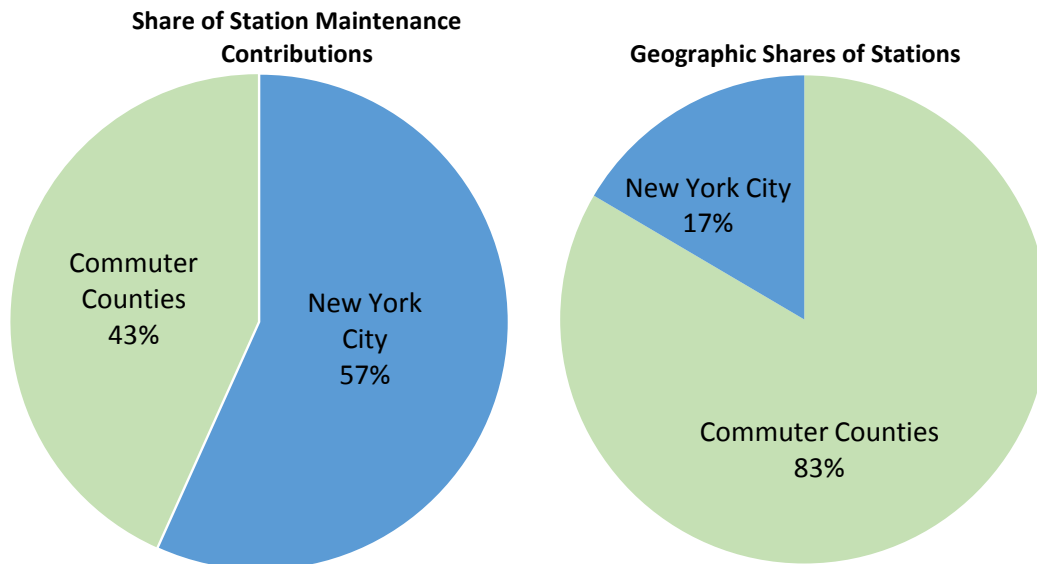
Reduced Fare Subsidies and Paratransit – New York City provides a **Student Reduced Fare Subsidy**, which is available to elementary, high school and night school students. Student fares are valid for three free trips and transfers per school day on subways, buses and the Staten Island Rail Road. Eligibility for the student reduced fare subsidy is based on a student’s grade level and distance from school. In some circumstances, certain students may receive a half-fare student MetroCard. In addition, New York City subsidizes **Paratransit Services**, known colloquially as Access-A-Ride, to any customer who cannot access subways or buses due to a disability.

Staten Island Railroad Subsidy – The City pays the operating costs of the Staten Island Railroad which is operated by the MTA.

Station Maintenance – The City of New York pays station maintenance costs for 14 Metro-North Railroad stations and 31 Long Island Railroad stations including Penn Station.

Figure 13 – Local Commuter Railroad Station Maintenance Subsidies vs. Commuter Railroad Station Location

New York City pays the majority of the \$167 million in station maintenance subsidies to the commuter railroads despite a 17 percent share of commuter railroad stations located in New York City

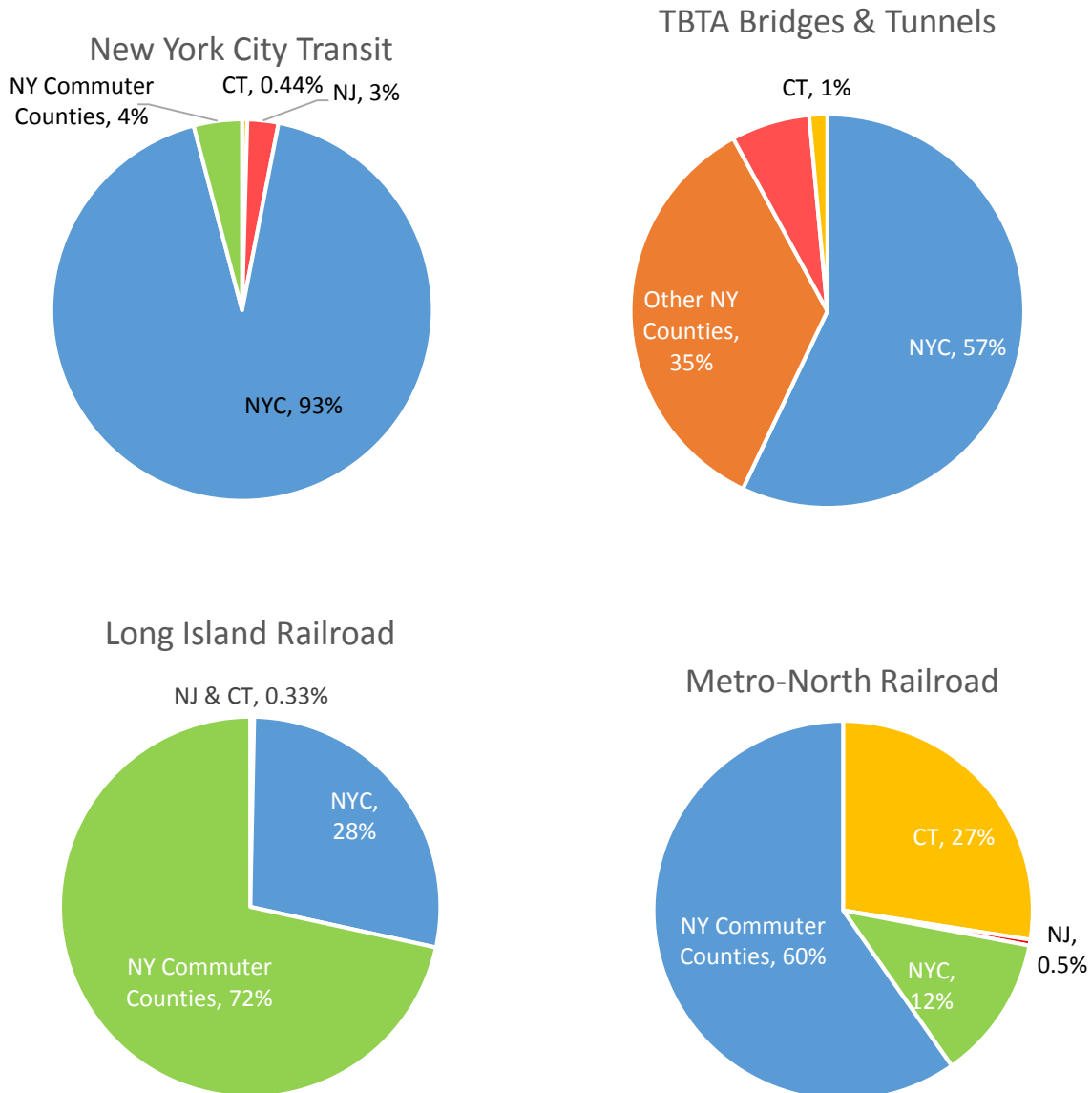


Source: New York City Comptroller’s Office from the MTA Financial Plan and NYMTC 2010 – 2011 Regional Household Travel Survey public use data.

Urban Tax – The Urban Tax is a component of the New York City Real Property Transfer Tax and is only assessed in New York City. A 1 percent tax is levied on commercial and residential transfers that exceed \$500,000 (excluding single or two-family homes).

Regional Ridership Composition

Figure 14 – Regional Ridership Composition on MTA Systems as Per New York Metropolitan Transportation Council Survey Data



Source: New York City Comptroller’s Office from NYMTC 2010 – 2011 Regional Household Travel Survey public use data. ²⁰

²⁰ Ridership estimates are calculated using public data from the 2010-2011 Regional Household Travel Survey, published by the New York Metropolitan Transportation Council (NYMTC). The Regional Household Travel Survey relies on the willingness of randomly recruited households to complete diary records of their daily travel over a 24-hour period from September 2010 through November 2011. 18,156

IX. ACKNOWLEDGEMENTS

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households within the 28-county New York/New Jersey/Connecticut metropolitan area participated in the Regional Household Travel Survey, yielding 188,199 unlinked trip records and 143,925 linked trip records. The 2010-2011 Regional Household Travel Survey does not account for commuters from outside of the 28-county survey region. Public use data was analyzed and weighted by the New York City Comptroller's Office to estimate travel patterns in the region and mitigate potential sampling errors. Each of the projections above are based on the home county of survey participants. Results require cautious interpretation due to small sample sizes.





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