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**Testimony on the Finances of the Metropolitan Transportation Authority
Deputy State Comptroller Kenneth B. Bleiwas
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- Thank you Chairman Fuschillo, and all the members of the Senate Standing Committee on Transportation, for this opportunity to testify today on the finances of the Metropolitan Transportation Authority (MTA) on behalf of State Comptroller Thomas P. DiNapoli.
- I am Deputy Comptroller Kenneth Bleiwas, and my responsibilities include monitoring the MTA's finances.
- The financial outlook for the MTA is an issue that is important to all New Yorkers, not just those in the New York City metropolitan region.
- The MTA transports 8 million people each weekday, and is inextricably linked to the economies of New York City and the entire downstate region.
- Comptroller DiNapoli, whose responsibilities include overseeing the State's public authorities, is committed to providing the public and its elected officials with timely information regarding the MTA.
- Two weeks ago, the Comptroller issued his annual report on the condition of the MTA's finances. A copy of that report has been provided to you.
- The report finds that the MTA's financial outlook continues to improve and that the agency has largely recovered from the effects of the recession.
- For example, the MTA expects the use of mass transit services to return to its pre-recession level in 2013.
- In addition, the MTA has identified a total of \$1.9 billion in resources over the course of the five-year financial plan period that had not been anticipated at the time its February 2013 financial plan was prepared.
- These resources result mostly from improvements in the economy and smaller increases in the costs for employee fringe benefits, debt service and energy, compared with the MTA's forecasts seven months earlier.

- The MTA plans to use some of these new resources to eliminate the 2014 budget gap and to reduce the out-year gaps to an annual average of \$80 million.
- The MTA plans to use the remaining funds to improve services and maintenance, pay down some of its long-term liabilities and help fund its capital program on a pay-as-you-go basis.
- Although the MTA could have eliminated the budget gaps entirely and reduced the size of the next fare and toll increase, it chose instead to set aside additional operating funds for capital projects because of the uncertainties involved in funding the next five-year capital program.
- The MTA estimates that it will need to invest \$26.6 billion from 2015 through 2019 just to maintain and modernize the existing transportation system. Additional resources would be needed to finish the East Side Access project and to begin other expansion projects, such as the next phase of the Second Avenue Subway.
- In the past, the MTA has relied heavily on borrowing to fund its capital program. As a result, debt service is projected to reach \$3 billion by 2018, which is 45 percent higher than in 2012 and nearly double the amount from ten years earlier. These estimates exclude the potential impact of the next five-year capital program.
- In an effort to reduce the impact of borrowing on the operating budget, the MTA has been taking steps to partly fund its capital needs with non-bond proceeds.
- The MTA currently plans to allocate \$2.7 billion in operating budget resources through 2020 to fund its capital needs on a pay-as-you-go basis, which is \$675 million more than seven months ago.
- Historically, the federal government has played a large role in funding mass transit capital improvements, but concerns over the size of the federal deficit could affect the amount of funding available in the future from Washington.
- Given the size of the MTA's capital needs and its limited funding, it is likely that the MTA will look to New York State and New York City for new sources of funding.
- Since 2007, fares and tolls have risen by 29 percent (more than twice the inflation rate), placing a heavy burden on commuters.
- These increases occurred when riders were least able to afford them, as the recession took a heavy toll on family finances.
- Household income remains stagnant, yet the MTA plans to raise fares and tolls by another 15 percent over a three-year period beginning in 2015, which is more than twice the projected inflation rate.
- Now that the MTA's financial outlook has improved, the Comptroller believes that the MTA should consider reducing the size of the fare and toll increase planned for 2015.

- The MTA has had considerable success in reducing the projected cost of the paratransit program, which serves disabled passengers, but its cost-reduction efforts in other areas have been modest since 2010.
- With 18 months before the next scheduled fare and toll hike, there is still plenty of time for the MTA to refocus on reducing waste, which could close the remaining budget gaps and hold down planned increases in fares and tolls.
- By encouraging the MTA to reduce unnecessary costs, the Comptroller hopes fare and toll increases can be kept to a minimum.
- While the MTA's financial outlook has improved, its operating budget still faces risks, including the pace of the economic recovery and the impact of the next round of collective bargaining.
- In closing, Comptroller DiNapoli is committed to helping the MTA become more efficient, and to providing the public and its elected officials with information that helps them better understand the operations and finances of the Metropolitan Transportation Authority.
- Thank you for allowing me to testify. I would be happy to answer any questions.

