

2

Testimony of Joseph Lhota
Chairman and Chief Executive Officer
Metropolitan Transportation Authority

Joint Legislative Fiscal Committee Hearing
on the
2012-13 Executive Budget

January 26, 2012

Dear Senator DeFrancisco, Assemblyman Farrell and Members of the Senate and Assembly,

Thank you for the opportunity to testify today and to discuss the Governor's Executive Budget regarding the MTA. My name is Joe Lhota, and I am Chairman and Chief Executive Officer of the Metropolitan Transportation Authority. I would like to spend just a few minutes talking about the Executive Budget, which by the way I am pleased to tell you is right on target, and then I would be happy to answer any questions that you may have.

While you all know that the MTA is big, I'd like to put it in perspective. We are larger than the next 10 largest transit systems combined. Our bridge and tunnel network is the largest toll agency in the world. We serve 8 ½ million people every day, 24 hours a day, 7 days a week. And we do it safely and reliably.

We have also been working very hard to provide this vital service more efficiently. We are consolidating functions, renegotiating contracts, reducing unnecessary overtime, selling real estate and undertaking many other initiatives to achieve an unprecedented level of cost cutting. We are on track now to save \$1 billion annually from these recurring expense reductions.

But we also need State support, and the Executive Budget provides nearly \$4 billion in transit operating aid to help us provide the service on which New Yorkers rely. This includes \$250 million to keep the commitment that the State made to hold the MTA harmless when you enacted the recent exemptions to the Payroll Mobility Tax.

As you know, our operating budget is only part of the picture; our Capital Program is also vitally important. This year marks the third year of our five year Capital Program. While the plan was approved for five years, only two years of funding was provided. That is why last month the MTA Board approved a comprehensive package to fund the final three years of the Capital Program. The Executive Budget delivers here as well. It provides \$770 million new revenue for our capital projects in these final three years of our plan.

The State, however, must not be the only one at the table when it comes to funding our Capital Program. The prime responsibility must rest on the MTA to be as efficient as possible. That is why we reduced the size of the MTA Capital Program by \$2 billion without eliminating any previously-approved projects. We will achieve this by cutting administrative payrolls, tightening up our project planning and oversight, and by working with contractors to reduce their risks so they can improve their bids. We will sell or lease excess MTA property such as our headquarters

on Madison Avenue and the former Transit Authority headquarters in Brooklyn. Combined with our previous cuts, the MTA will have reduced its Capital Program by \$4 billion.

We must be creative as well. We will work with New York City to capture value from the billions of dollars we are investing in creating new transit networks in the region. Another strategy that we will employ will be to use money that is already in our financial plan to pay debt service on new MTA bonds. And, finally, we are applying for a new, innovative Federal loan, a Railroad Rehabilitation and Investment Financing loan, or RRIF, which will allow us to fund the LIRR's East Side Access Project at a much lower cost and with much better terms than traditional MTA bonds.

Necessary legislation to increase our statutory bond cap is also included in an Article VII bill that was submitted along with the Executive Budget. And, while it is not technically a budget item, we need the Capital Program Review Board to approve our proposed Capital Program funding amendment that was submitted earlier this month.

While we focus on the fact that the MTA Capital Program is important to keep our system running safely and reliably, we often don't realize the huge impact that the Capital Program has on creating jobs and economic activity Statewide. Our last capital program, which ended in 2009, generated almost \$14 billion in business in New York State and was responsible for 325,000 jobs and almost \$41 billion in overall economic impact statewide. When the final three years of our current Capital Program are funded, the economic impact of MTA's 2010-14 Capital Program will be even greater across New York State.

With the Governor's support as demonstrated in his Executive Budget and working with the Senate and Assembly, the MTA will continue to make sure that New Yorkers keep moving safely and securely.

I am happy to answer any questions that you may have.