SENATE COMMITTEE ON INFRASTRUCTURE AND CAPITAL INVESTMENT

SENATE COMMITTEE ON TRANSPORTATION

REPORT ON THE HEARING HELD
March 2, 2015
On MTA Budget and Finances

SENATOR CARL L. MARCELLINO, CHAIRMAN
SENATE COMMITTEE ON INFRASTRUCTURE AND CAPITAL INVESTMENT

SENATOR JOSEPH E. ROBACH, CHAIRMAN
SENATE COMMITTEE ON TRANSPORTATION

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SENATE STANDING COMMITTEE ON INFRASTRUCTURE AND CAPITAL INVESTMENT, AND TRANSPORTATION

Public Hearing on Metropolitan Transportation Authority (MTA) Budget and Finances

Monday, March 2, 2015 10:30 am
Hearing Room A
Legislative Office Building
Albany, NY 12247

WITNESS LIST

Thomas F. Prendergast, Chairman and Chief Executive Officer
Metropolitan Transportation Authority
Robert Foran, Chief Financial Officer
Metropolitan Transportation Authority
Craig Stewart, Senior Director for Capital Programs
Metropolitan Transportation Authority
Joseph Giulietti, President
Metro-North Railroad
Darryl Irick, President
Metropolitan Transportation Authority – Bus Company
Carmen Bianco, President
Metropolitan Transportation Authority – New York City Transit
James Ferrara, President
Metropolitan Transportation Authority – Bridges and Tunnels

William Henderson, Executive Director
Permanent Citizens Advisory Committee to the Metropolitan Transportation Authority
Ellyn Shannon, Associate Director
Permanent Citizens Advisory Committee to the Metropolitan Transportation Authority

LaTonya Crisp-Sauray, Recording Secretary
Transport Workers Union Local 100
Dr. James Melius, Administrator
New York State Laborers
George Trickio, Business Manager
New York State Laborers, Local 1298

Nadine Lemmon, New York and Federal Policy Coordinator
Tri-State Transportation Campaign
Alex Matthiessen, Campaign Director
Move NY

●Testimony Summary●

Thomas F. Prendergast
Chairman & Chief Executive Officer
Metropolitan Transportation Authority

Thomas Prendergast as the Chairman and CEO stated, “The MTA is essential; not only to the 8.7 million customers we serve every day, but also to New York’s daily life and our statewide economy and growth. So investing in its operation and its capital needs is essential.” The MTA’s current Capital Plan faces a $15.2 billion funding gap, and Mr. Prendergast and the MTA has committed to cutting $1 Billion out of their annual operating budget by using these cost saving initiatives:

- Consolidation of headquarters
- Issued $479 million of refunding bonds and completed associated restructurings of existing escrows, saving $100 million
- Identified savings initiatives in areas of prompt payment discounts, workers compensation, energy management, consolidations, purchasing, inventory, and employee benefits

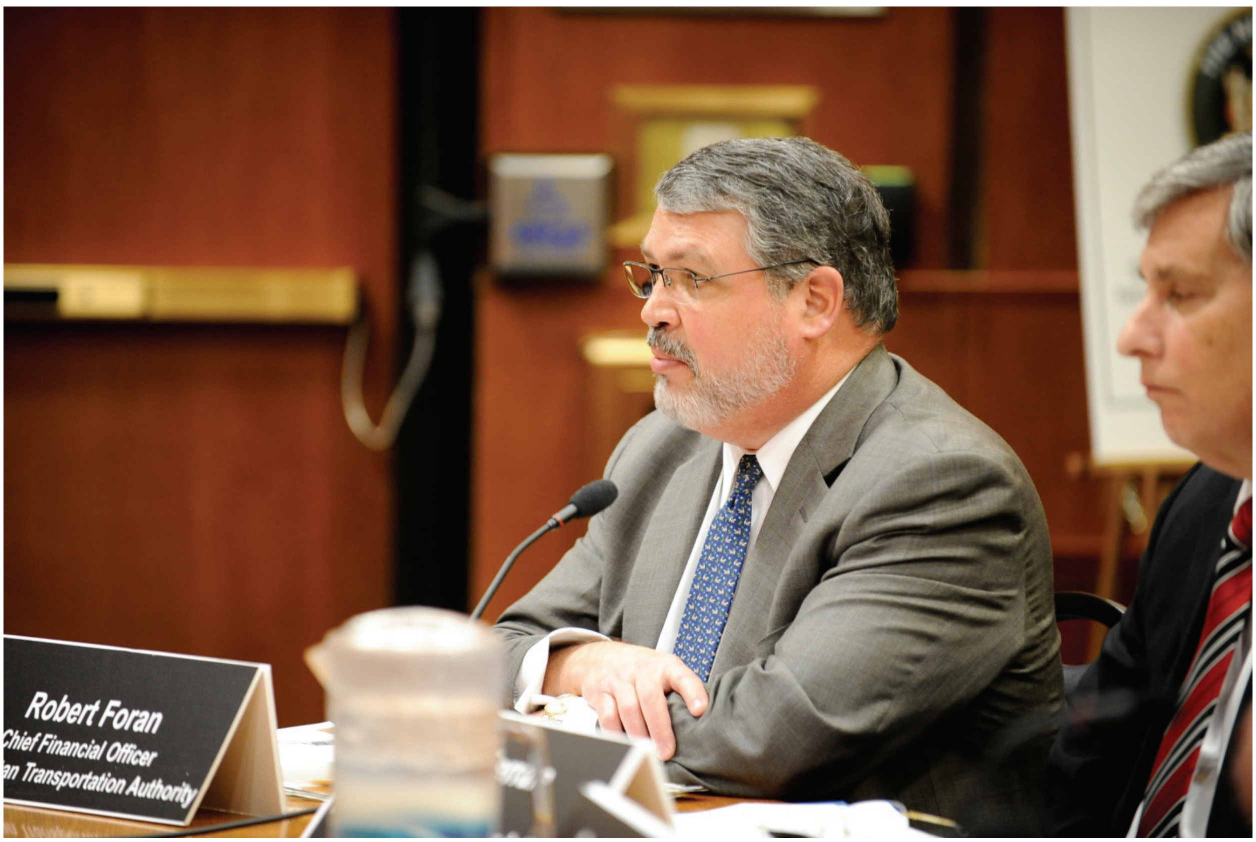
With New York being the second largest economy to Tokyo, it is essential that the MTA act responsibly with cost cutting, spending, and safety. In 2014, ridership reached 83 million on Metro North and 83 million on the Long Island Rail Road, making them the two most heavily-used railroads in the country. In addition, the subway system exceeded 6 million riders on 29 occasions in 2014. Based on these statistics, the Capital Plan is critically important to the system.

The 2015-2019 Capital Plan is $32 billion, with $17.122 billion towards New York City Transit, $3.12 billion for the Long Island Rail Road, $2.553 billion for the Metro-North Railroad,

$437 million for MTA Bus, and $240 million for MTA Interagency. In addition, the Capital Program factors in an additional $5.519 billion for Network Expansion and $3.056 billion for Bridges and Tunnels.

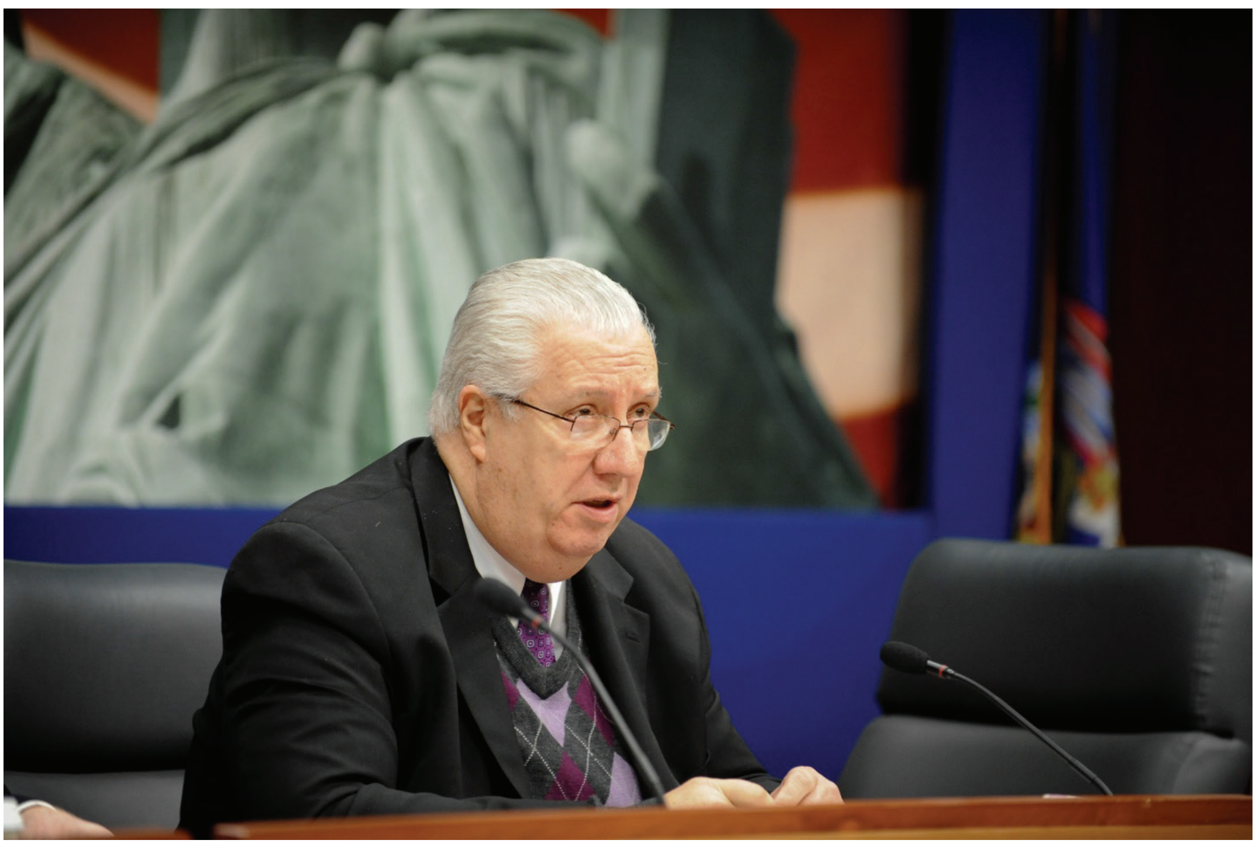
To fund the 2015-2019 MTA Capital Plan, the MTA included funding from various sources totaling $16.87 million. They estimate they will receive $6.275 billion from the Federal Formula, $3.886 billion from MTA Bonds, $927 million from Pay-as-you-go Capital, $600 million from Assets/Leases, $657 million from New York City Capital Funds, $507 million from Federal New Starts, $200 million from private developer funded improvements, $762 million from other MTA sources, and $3.056 billion from Bridges and Tunnels Bonds. However, this still leaves a $15.176 billion funding gap.

Within the Capital Plan, a large portion of the funds will be used for improvements and upgrades on existing assets. Senator Martins, in questioning Chairman and CEO Prendergast on maintenance and projects included in the Capital Plan, asked, " What portion of the MTA's significant annual budget goes towards these items already? And why is it necessary to borrow and bond for these? Wouldn't it be better covered under your annual operating budget?" Mr. Prendergast explained the useful life of assets, and that currently assets that last 35 years have been stretched to last 40 years. He stated, "As that product reaches the end of its useful life, the car-body structure is starting to fail, the major assemblies and components are failing. And if you were to do it on a maintenance level, you were to do it actually replacing component by component, it would cost you more."

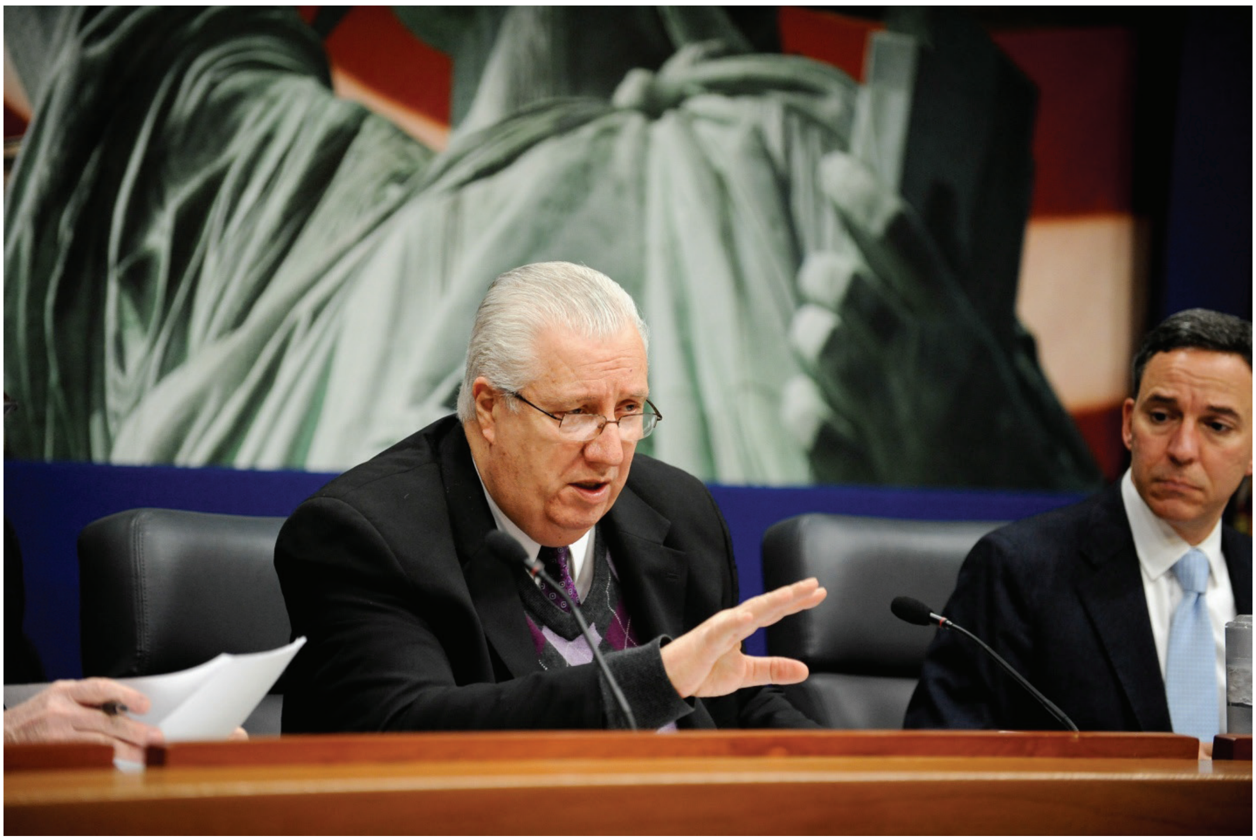


Senator Dilan referred to a $500 million savings up to the year 2018 in the Capital Plan. Senator Dilan asked, "Where will the cuts come from? Will it be from service cuts, or will you have to let employees go?" Robert Foran, MTA Chief Financial Officer; stated, "We are not anticipating any service cuts. I think it's been very clear by the Board, that it was so painful when we did the service cuts in 2010, that no one wants to address those again. So what we're trying to do is figure out how to reduce our costs in areas that, frankly in the past, were considered uncontrollable costs." These areas concerned include pensions, healthcare, and reducing the administrative headcount. In addition, CFO Foran noted $60 million in savings from four years without cost of living raises at headquarters.

One of the major problems faced in New York City is "bridge shopping." This occurs when drivers choose bridges with lower tolls over other bridges which can cause congestion in the lower tolled areas. When Chairman Prendergast was asked by Senator Marcellino if tolls could be raised or lowered on certain bridges to stop bridge shopping, as proposed in the Move NY Plan, Chairman Prendergast said it was something they have had discussions about. Senator Marcellino urging the MTA to conduct a thorough analysis of it, stated, "Let's not just talk about it, let's do it."



A top priority for the Senate was the cost of travel on the MTA. Senator Martins stressed the impracticality of a family paying $20 a ticket to travel using the train system. “Not everybody’s going into the city to work. Other people need to get into the city sporadically. They don’t have the opportunity to buy these monthly passes. The idea is, mass transit should be cheaper than the alternative. And when it’s not, there’s a real problem”, said Senator Martins.



William Henderson
Executive Director
Permanent Citizens Advisory Committee to the Metropolitan Transportation Authority

Ellyn Shannon
Associate Director
Permanent Citizens Advisory Committee to the Metropolitan Transportation Authority

The Permanent Citizens Advisory Committee (PCAC) to the Metropolitan Transportation Authority gives users of the MTA subway, bus, and commuter-rail services, a voice in the formulation and implementation of MTA policy. Executive Director William Henderson stated "The last eight years have been a difficult period for the MTA." Due to the economy crash in 2008, the MTA has not been able to offer riders discounted fares on weekends, holidays, and even free off peak tickets on railways. Fare increases have been put into effect since 2009 that have effected household budgets. Executive Director Henderson gave an example of how the fare increases can effect a family with 2 commuters. He stated, "As a result of the upcoming fare increase, a family of 2 commuters from Wassaic on Metro-North's Harlem Line, who use New York City transit to complete their journeys, will pay over $1250 per month in monthly commuting costs, and that's before taking into account the additional cost of transportation to their home station."

Executive Director Henderson stressed that riders should have to pay their fair share for operating costs of the system, however, people are hurting because of commuting costs. His concern is that "MTA riders already pay the highest percentage of operating expenditures of any public transit users in the nation." He noted the MTA system needs a balanced approach with investment and debt management.

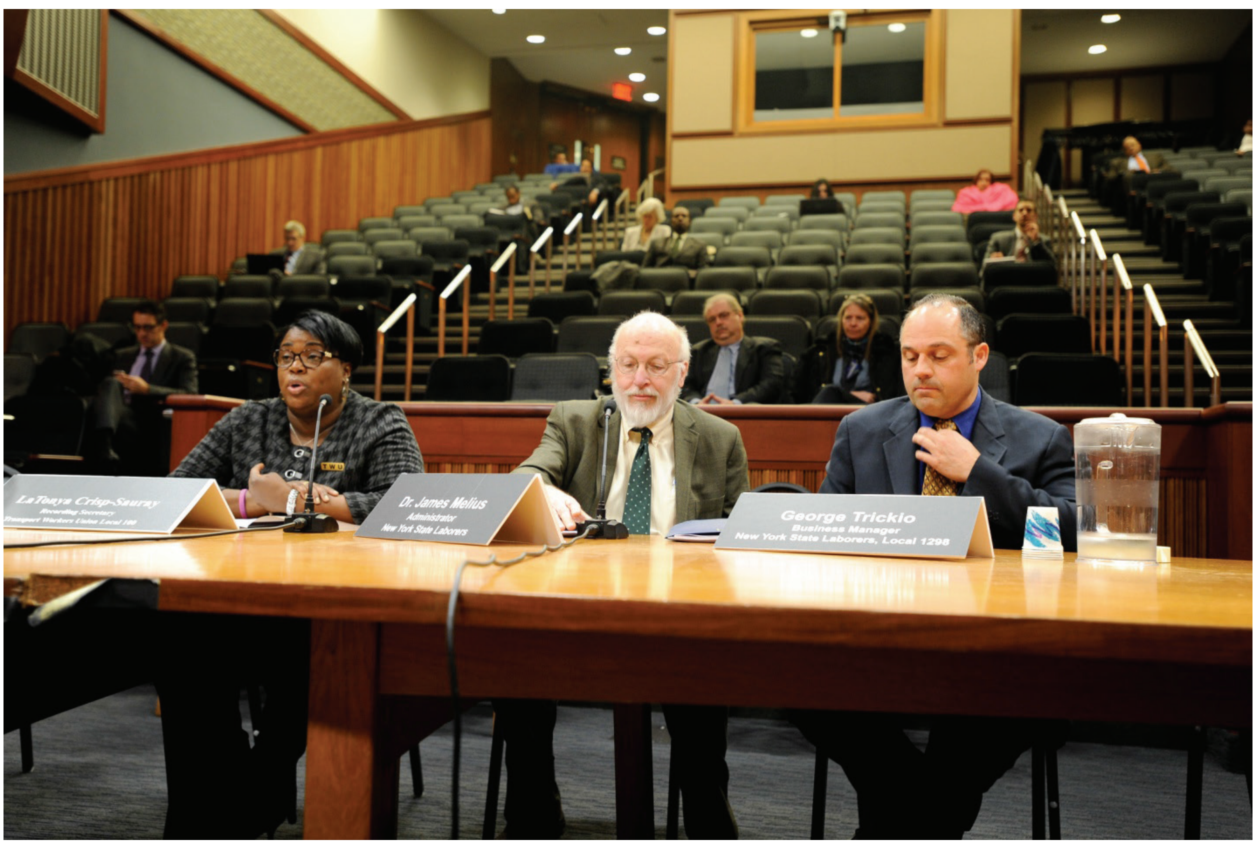
Senator Marcellino asked, “Does the PCAC support the MTA’s policy of increasing fares and tolls every two years?” Executive Director Henderson said, “I mean, somebody’s got to pay for this, Senator. And we don’t think that riders ought to be exempt, but riders should – by the same token, riders shouldn’t be taken advantage of. Riders shouldn’t continue to bear more and more of the cost.”

LaTonya Crisp Sauray
Recording Secretary
Transport Workers Union Local 100

Dr. James Melius
Administrator
New York State Laborers

George Trickio
Business Manager
New York State Laborers, Local 1298

The Transport Workers Union Local 100 Recording Secretary LaTonya Crisp Sauray testified on the importance of the MTA. She stated, “The MTA’s 4-year $32 Billion Capital Plan entails critical investments to maintain 1 trillion in assets and to expand the system. This plan will meet the needs of New York’s vibrant, growing economy.”



A main point made by Ms. Sauray was jobs recently created in Brooklyn and the Bronx and the problem of inadequate public transportation commuting to these jobs. To combat this problem, she suggested bus rapid transit, “At a fraction of the cost of new subway construction.” She feels bus rapid transit would increase travel speeds, frequency of travel, and capacity. Ms. Suaray supports State investment in bus-rapid-transit routes in the Bronx and Brooklyn. A major question towards bus-rapid-transit is the cost, which would be $120 million in initial capital construction. She stressed the routes would create jobs and add value to the State economy.

Dr. James Melius was asked by Senator Marcellino, “What suggestions might you offer, if you can be a little more specific, relative to that $15 Billion gap that you heard about in the MTA’s proposed $32 billion 2015-2019 Capital Program. How might that be funded if we eliminate that?” Dr. James Melius felt we need a balanced approach. He suggested that “New York City needs to invest more in it. I think frankly, the State has.” He also felt we should look at the payroll tax, and the gas taxes, and the Federal Government. He also felt that the MTA should have and equitable system that “spreads the cost of the system around the entire – all the users, and to the extent we can.” Senator Marcellino stated, “No, it’s not easy because, ultimately, we all know the buck stops at the individual taxpayer.”

Nadine Lemmon
New York and Federal Policy Coordinator
Tri-State Transportation Campaign

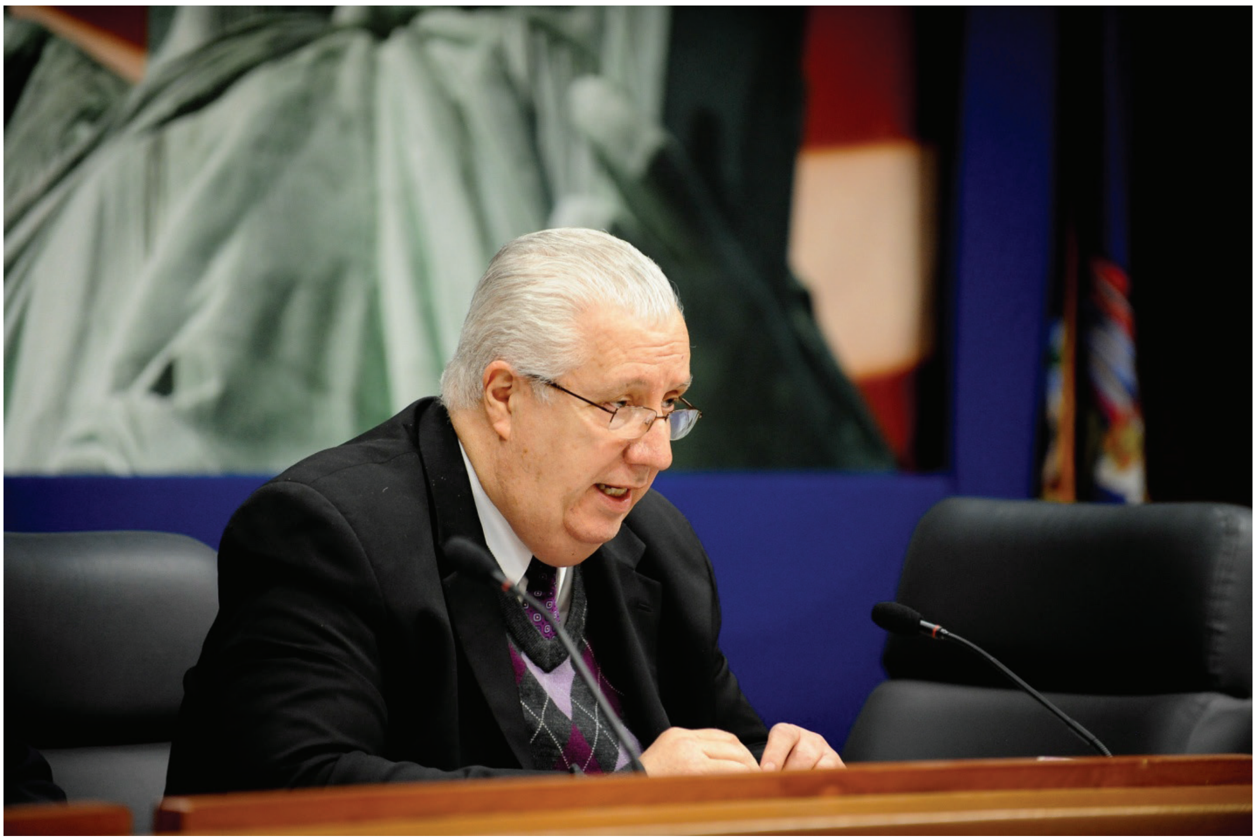
Alex Matthiessen
Campaign Director
Move NY

Representing the Tri-State Transportation Campaign, Nadine Lemmon, the New York and Federal Policy Coordinator testified in support of a fully funded MTA Capital Plan. The Tri-State Transportation Campaign is a non-profit policy and advocacy organization working for a more sustainable transportation network in New York, New Jersey, and Connecticut.

Ms. Lemmon, in support of the Capital Plan, stated, "While the MTA capital proposal represents a significant number, it still falls far short of what is generally acknowledged by the Comptroller and other transportation experts as to what is needed to keep New York's most valuable economic asset in a state of good repair and continue modest expansion." She stressed the importance of maintaining the MTA system and its importance to the Upstate Economy. Like other panelists testifying before the Senate, she felt that New York City should raise their contribution to the Capital Plan.

Campaign Director of Move NY Alex Matthiessen testified before the Senate in regards to the Move NY campaign. The Move NY campaign is "dedicated to coming up with a new dedicated, sustainable recurring revenue source for the MTA region, and also for the city's roads and bridges." Mr. Matthiessen feels that the Move NY plan could fully fill the $15.2 Billion funding gap currently faced in the MTA Capital Plan. He stated, "It would slash tolls in the outer parts of the city. That's, essentially, the MTA's outer bridges, which are the Verrazano, Throgs Neck, White Stone, Tri-Borough, two Rockaway bridges and the Henry Hudson Bridge. So those seven bridges would not go down by a token 25 cents or 50 cents. They would go down nearly 50 percent. Alex Matthiessen called the plan essentially a "toll swap," which would place the tolls on bridges throughout the City at the same rate. The East River bridges would be tolled at the same rate as the Midtown tunnel. This could eliminate bridge shopping, and balance the cost of tolls on all the bridges.

Referring to the Move NY proposal, Senator Marcellino questioned the role of the Legislature in the Capital Plan and whether they would be removed from the annual process. Alex Matthiessen testified that the money collected from tolls would go directly to the MTA, but was unsure of the Legislature's involvement in the appropriation of funding.



MTA Capital Plan Details

- The MTA Capital Plan is $32 billion
  - By Project type:
    - $3 billion for Bridges and Tunnels
    - $22 billion for State of Good Repair projects
    - $4.5 billion for Enhancement Projects
    - $3 billion for Expansion Projects
  - By Agency:
    - $17 billion for New York City Transit
    - $3 billion for Long Island Rail Road
    - $2.5 billion for Metro North Railroad
    - $437 million for MTA Bus
    - $240 million for MTA Interagency
    - $5.5 billion for Network Expansion Projects
    - $3 billion for Bridges and Tunnels

- Funding currently available to the Capital Plan
  - $6.3 billion from the Federal Government
  - $3.9 billion from MTA bonds for commuters and transit programs
  - $3 billion from Bridges and Tunnels
  - $927 million from Pay-as-you-go capital
  - $600 million generated from excess capital and real estate sales
  - $657 million from New York City
  - $507 million from the Federal New Starts funds
  - $200 million from private developer contributions
  - $762 million from other MTA sources

- Portion of MTA Operational budget supported by fares
  - 70% for Transit
  - 40% for New York City Bus
  - 60% for Metro-North Rail Road
  - 50% for the Long Island Railroad

● Findings ●

CAPITAL PLAN PROJECTS

- **The individual projects in the MTA Capital Plan may need to be prioritized**
    - The core of the Plan is a State of Good Repair projects ($22 billion)
        - There was consensus given in support of the State of Good Repair portion of the plan
    - State of Good Repair projects that were identified as important include Positive Train Control; new signal systems; replacing 86 miles of track, electrical substations, pumps and tunnel lighting
        - There is significant overlap of state of good repair projects and enhancement projects as most equipment replacements to antiquated systems results in the ability to handle an increase in ridership
    - It was suggested that the 2nd Avenue subway project could be delayed if the Plan is underfunded
        - If the East Side Access project is stopped, Federal funds will have to be refunded
    - It was suggested that installation of countdown clocks would be removed from the Plan if funds weren't available

- **The MTA Capital Plan covers five agencies**
    - Projects funded should provide a parity of service among the agencies with a consideration of ridership
        - Support was given for:
            - Metro-North's rail yard in Orange County and additional passing sidings
            - Expansion of Express bus service
            - Reviewing safety and placement of grade crossings

FUNDING OF MTA OPERATIONS AND CAPITAL FUND

- **MTA funding should come from five areas: Federal funds; State funds; New York City funds; fares and tolls; and businesses that benefit from MTA services**
    - The MTA and New York State should make a concentrated effort to increase their lobbying for Federal funds for the Capital Plan.
    - It was suggested that additional settlement funds be dedicated to the MTA Capital Plan
    - Numerous speakers suggested that New York City should provide funding that is commiserate with previous years

- It was suggested that fares should be assessed so they are cheaper than vehicle travel
- It was suggested that individual users of all the regions transportation systems should pay their share
- Many speakers stated that consideration should be given to value-based fees, special assessment districts or tax increment financing for projects that result in an economic benefit
- There was consensus that relying on multiple funding sources is both a fair and feasible funding approach

- **In the past, dedicated revenues for the MTA have been reallocated to other State priorities**

  - Numerous speakers stressed that dedicated funds should remain with the MTA
    - MMTOA transit funds are continually swept to cover other budget priorities
  - There was support for to enact legislation that would prevent the "sweeping" of funds

- **The MTA Capital Plan proposes to issue $7 billion in bonds**
  - It was suggested that bonding should not occur for longer than the useful life of the asset
  - Many speakers raised concerns about increasing the bond debt load on the MTA which could result in unsustainable pressure on existing fares and tolls
  - It was noted that bonding based on reoccurring revenues can raise significant funds

- **Currently the MTA receives a surcharge from livery vehicles at $90 million annually**
  - The livery surcharge could be expanded to include car sharing services, like Uber and Lift
    - A 50¢ per-fare surcharge on Uber trips could raise $90 million annually

- **Move NY has proposed a funding plan for regional transportation needs that includes modifying bridge tolling, and taxi and vehicle surcharges in congested areas of Manhattan**
  - It was suggested that a thorough review of the plan is needed
    - Concerns were raised about the state of repair of bridges and if future toll money would be needed to cover additional maintenance costs
  - Support was given for the plan by a number of speakers
  - Speakers stressed that it is important that revenues raised be protected in a "lock box"

- **The MTA has made significant changes to reduce their costs of operations, banking any savings to fund operating expenses or capital projects**
    - It was suggested that the MTA should continue to dedicate savings to fund capital projects

- **In 2009, NYS enacted the metropolitan commuter transportation mobility tax (MCTMT) to replace the downturn in funds from real estate taxes. The MCTMT is currently generating $1.4 billion in revenue to the MTA**
    - It was suggested that the MCTMT be reduced as the economy recovers and the funds generated from real estate taxes increase
    - Other speakers were opposed to replacing these dedicated revenues

Testimony of Thomas F. Prendergast
Chairman and CEO of the Metropolitan Transportation Authority to the
NYS Committees on Infrastructure and Capital Investment and Transportation
March 2, 2015

Good morning, Chairmen Marcellino and Robach, and other members of the Committees. Thank you for holding this hearing and for asking me to testify. I'm joined by all of the MTA's agency presidents: Carmen Bianco from New York City Transit, Darryl Irick from MTA Bus, Patrick Nowakowski from the Long Island Rail Road, Joseph Giulietti from Metro-North Railroad, and James Ferrara from MTA Bridges and Tunnels. Also joining me is Robert Foran, our CFO, and Craig Stewart, our senior director of Capital Programs.

In the broadest terms, Senators, all of us—you and we—are here today because the MTA is essential; not only to the 8.7 million customers we serve every day, but also to New York's daily life and our statewide economy and growth. So investing in its operation and its capital needs is also essential.

Governor Cuomo recently released the proposed 2015 to 2016 Executive Budget, and we're pleased that we will once again see increased state aid. Total funding to the MTA increased by almost $141 million over the State's 2014 to 2015 Enacted Budget. This increase includes an almost $37 million boost to our operating budget, and more than $104 million being transferred to the MTA Capital Program. It also provides more than $1 billion in new funding for the 2015 to 2019 Capital Program.

In addition, the MTA's 2015 Budget and Financial Plan—approved by our Board in January—presents a fully transparent view of our current and four-year financial outlook. It strongly reaffirms our organization-wide commitment to cost-cutting, and it shows that we've already cut more than $1 billion out of our annual operating budget. Here are just two examples:

- We consolidated our entire headquarters into 2 Broadway in Lower Manhattan. Through this move, we not only reduced operating costs, we will monetize our former headquarters at 341, 345, and 347 Madison Avenue, and generate hundreds of millions of dollars for our Capital Program.

- We also issued $479 million of refunding bonds and completed associated restructurings of existing escrows, for total savings of approximately $110 million.

But when it comes to running more efficiently, we are not finished. New savings initiatives are being identified in the areas of prompt payment discounts, worker's compensation, energy management, consolidations, purchasing, inventory, and employee benefits. These initiatives will raise our total annual savings target to $1.6 billion a year by 2018. It's the most aggressive cost-cutting in the MTA's history, and the savings we've realized have improved our operations in three critically important ways.

- First: Without these savings, we could not have reduced projected fare and toll increases from about 7.5 percent every other year to about 4 percent every other year, or roughly 2 percent a year.

- Second: These savings have allowed us to add $157 million back into service and quality enhancements since 2012.

- Third: They've helped us put $290 million a year into a "pay-as-you-go" account that could generate up to $5.4 billion for the 2015 to 2019 Capital Program, which, for the MTA, is the most important topic today.

The Capital Program, as you all know, is a series of five-year investments—beginning in 1982—that allow us to renew, enhance, and expand our 5,000 square-mile network. Over the past 30 years, we've invested nearly $150 billion through the Program—in the vital infrastructure that keeps New York moving. Yes, these investments have revitalized and maintained our transit system. But they have also revitalized our region, enabling improvements that have brought customers back to our system in droves, while creating jobs by the thousands.

Today's ridership is at all-time high levels. Before October 2013, we'd never recorded 6 million subway riders in one day. But we exceeded that number on 29 days in the last four months of last year, and set an all-time high for monthly subway ridership last October.

Metro-North's ridership has almost doubled since its founding in 1983, to 83 million last year. And the Long Island Rail Road's ridership of more than 83 million make them the two most heavily-used railroads in the nation.

Until recently, most of the ridership growth was from reverse commutes, travel between suburban destinations, and during off-peak hours—evenings and weekends. Today, we're seeing ridership growth in all of these areas and during peak hours. We're seeing more and more customers who need to wait two, three, even four trains before they can board during rush hour.

Our network is stretched almost to its capacity. Trains are more crowded than ever and commutes are more difficult. A minor delay on one train at rush hour can have a massive ripple effect—leading to overcrowding on the platform, doors being held open at every station, and spiraling delays for every train that follows. If that happened on a regular basis, the impact would be severe—for millions of riders, their employers, and our region's economy.

These ridership trends show no signs of abating in the foreseeable future. And with the future in mind, we convened a panel of experts to inform the development of our current Capital Program—especially with respect to two important areas: climate change and changing demographics. This Transportation Reinvention Commission stated some very simple truths in their report:

- More than two million additional people are expected to live in the MTA region by 2040, putting increasing pressure on a system that's already largely at capacity.

- Demographic shifts are driving new and evolving customer expectations, service needs, and accessibility requirements.

- And, the current system is simply not fully equipped to meet these changing needs.

With these challenges in mind, the MTA Board this fall approved a proposed 2015 to 2019 Capital Program. This Program will allow us to build capacity, meet growing needs and expectations, and most importantly, renew our system to keep it safe and reliable. Because capacity is by no means our only challenge. Maintaining a system as large and old as ours is—unavoidably—expensive. If we want the system to continue operating safely and reliability, we must continue to invest heavily in what we call "state of good repair."

Senators, I ask you to keep this fact in mind: Safety and reliability projects—including track replacement, structural repairs, signal system improvements, and replacement fleets—comprise fully two-thirds of our 2015 to 2019 Program budget. These expenditures are not for anything fancy—they are simply essential. And the reason why is simple: Safe and reliable service is our number one job every day. Here are a few examples of the kinds of maintenance and good-repair spending we must not postpone.

- The Program includes $196 million to complete the installation of Positive Train Control—the best and safest commuter railroad signal system around—at both Metro-North and the Long Island Rail Road.

- We'll also begin installing a modern, new signal system on the E, F, M, and R lines in Queens, and the B, D, F, and M lines in Manhattan. This system—which is fully in place on the L Line and under construction on the 7 Line—allows us to run more trains, move far more people, ease crowding, and provide better, safer service.

  It will allow us to replace signals from the 1930s that could jeopardize safety and reliability if they remain in our subway system much longer. And remember: the foundation of our subway system was built more than 110 years ago, making modern signals the best and only way we can significantly add capacity.

- We will replace 86 miles of subway track with safer, smoother track.

- And we will continue to invest in the thousands of components most of our customers never even see, like electrical substations, pumps, and tunnel lighting. These projects may not be glamorous, but together with the normal replacement of our trains and buses, they are the key to moving so many people safely and reliably.

The 2015 to 2019 Program will allow us to expand our system to better accommodate current ridership levels and prepare for even more growth in the future. And in a region with a new understanding of natural hazards, system expansion will protect us by making our transit network more redundant.

- We will finish phase one of the Second Avenue Subway to build capacity and ease congestion on the Lexington Avenue Line. And through the 2015 to 2019 Program, we will begin construction on the second phase of the Second Avenue Subway, from the Upper East Side into East Harlem.

- We will continue to advance East Side Access, easing the commute of 160,000 LIRR customers every day.

- We will complete the Long Island Rail Road Double Track project, which will improve service and reliability by adding a second track to the railroad's Ronkonkoma Branch.

- And we will begin development of Penn Access, a project that will add four new Metro-North stations in the Bronx and open a new Metro-North link directly into Penn Station.

  Through this project, we will provide critical system resiliency to over 275,000 Metro-North riders. And for the first time ever, customers in Co-Op City, Morris Park, Parkchester, and Hunts Point will have a one-seat rail ride directly to heart of Manhattan.

Dramatically improving our transit network is hardly the only benefit of a fully-funded 2015 to 2019 Program. The MTA's Capital Program and the jobs it creates are an integral part of our region's economy and economic growth. Just last month, Urban Land Institute New York and the Permanent Citizens Advisory Committee to the MTA published a report examining the intrinsic connection between a healthy transit system and a healthy, vibrant economy. According to this report:

- Since 1982, the MTA Capital Program has transformed the region's public transportation system into a crucial economic asset … helping New York achieve a global economic preeminence that few could have imagined in the economic crises of the 1970s.

- Investments in the MTA have generated economic benefits for communities across New York State, with major vendors opening plants to both fulfill the transportation needs locally and across North America.

Indeed, Capital Program investments create hundreds of thousands of jobs throughout New York State and nationally, and a new study by KPMG proves it. We commissioned KPMG to look at how many jobs will be created by the 2015 to 2019 Capital Program and the results—also published last month—are staggering.

KPMG found that in the tradition of the MTA's previous Capital Program, a fully-funded 2015 to 2019 Program will create more than 400,000 New York State jobs and generate nearly $52 billion in economic output. These jobs, the study found, will be created in every corner of New York State. For example:

- In 2013, our Board approved a nearly $2 billion dollar contract with Kawasaki to build new commuter rail trains. This order alone is expected to create up to 1,500 jobs at the Kawasaki plant in Yonkers and its suppliers in the state.

  This plant makes rail cars and parts for transit systems around world—in Boston, Virginia, Maryland, and Taipei—while creating high-paying tech jobs. But you can bet it wouldn't be in Yonkers, New York without the MTA.

- We've also purchased more than 2,000 of the 3,000 rail cars built at Bombardier's 100,000 square-foot facility in Plattsburgh, New York, including a new rail fleet for MTA commuter railroads in 2007.

In October, we submitted the 2015 to 2019 MTA Capital Program to the Capital Program Review Board so we could begin a dialogue. One concern shared by all parties is funding—we've identified sources for half of the money needed to fund the Program. All three levels of government must understand the importance of the system, the necessity of capital investment in infrastructure and, if necessary, new sources of that support. All have a stake in ensuring that New York's economic engine continues at full strength.

We must keep a critically important fact in mind: If we were to build the MTA's network of trains, buses, bridges, tunnels, and millions of other assets today, it would cost nearly $1 trillion. That means our previous, $24 billion Capital Program represented a reinvestment back into our system of less than half a percent per year of the system's total value.

We can talk about the strengths and challenges of upstate and downstate, Senators, but I think the State of New York has one economy—and the MTA's twelve-county regional transportation system is essential to that economy.

It makes a huge pool of employees available to New York businesses. It allows our region to comfortably accommodate millions more people. It makes it possible for people to live wherever they want within our region—regardless of where they work. It allows employees to bring home paychecks that support local schools and government services and consumer spending, creating jobs wherever they live. It enables and supports job development across our entire region, giving employers a system their employees can count on and creating 400,000 jobs in the vendor companies that deliver the capital improvements.

Every major world city—London, Paris, Hong Kong, and others—is investing in transit to improve the quality of life for their residents, to maintain their status as a global financial and business center, and to make them even more competitive in the world economy. New York must do the same, because the past is not prologue. We must continue to invest.

Chairmen Marcellino and Robach, we appreciate the support you've given the MTA in the past and your continuing support, and look forward to working with you to continue the MTA's improved efficiencies, safety, reliability, and growth. Thank you for your time today. Now, we're happy to answer any questions you may have.

PCAC
PERMANENT CITIZENS
ADVISORY COMMITTEE TO THE MTA

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Statement of the Permanent Citizens Advisory Committee
to the Metropolitan Transportation Authority
to the Senate Standing Committee on Infrastructure and Capital Investment and the State Standing Committee on Transportation

Monday March 2, 2015

The Permanent Citizens Advisory Committee to the MTA (PCAC) was established by the New York State Legislature as the umbrella organization for three legislatively-mandated Councils that represent the interests of riders of the Metro-North Railroad, Long Island Rail Road and New York City Transit systems. A representative from each Council also participates as a non-voting member on the MTA Board. The Councils were created by the New York State Legislature in 1981 to monitor the operation of the MTA's operating agencies and make recommendations to improve their performance.

We appreciate the opportunity to testify on the financial challenges facing the Metropolitan Transportation Authority (MTA) and the actions necessary to prevent annual operating deficits and protect riders from excessive fare increases or service reductions.

The past eight years have been a difficult financial period for the MTA. It is difficult to conceive that, riding high on revenues from dedicated real estate-related taxes, the MTA was in 2005 and 2006 able to offer its riders a "holiday bonus" that included half-fare on NYC Transit on weekends and the last week of the year, bonus days on time-based MetroCards, and free off-peak tickets on commuter railroads with the purchase of commutation tickets. Difficulties in the larger economy soon after ended the good times, and since 2008 the MTA has struggled mightily to provide service within funding constraints.

The MTA's efforts to balance the budget have included the $1.1 billion in annual cost saving measures alluded to in the public notice for this hearing. Unfortunately, they also included a package of service cuts approved in 2010 that produced hardship for a great many riders. Improvements in the general economy and consequently the MTA's financial position allowed the authority to approve annual packages of service restorations and enhancements beginning in 2012, but fare increases agreed upon in conjunction with 2009 State rescue legislation that made additional funding available to the MTA has taken their toll on riders.

The series of fare increases put in place since 2009 has severely impacted household budgets at the same time that many riders are coping with stagnant or falling incomes. As a result of the upcoming fare increase, a family with two commuters from Wassaic on Metro-North's Harlem Line, using NYC Transit to complete their journeys, would pay over $1,250 per month in monthly commuting costs, before taking into account the additional cost of transportation to their home station. This is an extreme example, but not an isolated one. For many MTA riders, the affordability of transportation is clearly becoming more of an issue.

The PCAC and its Councils do not believe that riders should be held harmless from the increasing cost of providing service on the MTA system. To the contrary, it is long been our position that riders, like all who benefit from the MTA system, must pay their fair share of the cost of operating the system. Of concern to us, however is the fact that MTA riders already pay the highest percentage of operating expenditures of any public transit users in the nation. In 2012, the last year for which national data were available, this figure was 53.2 percent, compared with 33.2 percent for systems nationally. Subway and bus riders pay 52.6 percent of operating expenditures, while subway riders alone pay a stunning 73.2 percent. The fare hikes in 2013 and 2015 have the effect of increasing the proportion of the cost that is borne by riders.

A primary factor exerting pressure on the MTA's finances, and consequently on the fare, is the Authority's immense bond obligation, incurred as a means of financing needed capital expenditures. We continue to be concerned about the MTA's debt load, which as of the end of 2014 topped $34 billion. As a result of heavy borrowing to fund past Capital Programs, the MTA expects its annual debt service expenses to rise from $2.3 billion in 2014 to $2.9 billion in 2018. To provide some perspective, in 2018 the debt service that the MTA must pay will amount to over 49 percent of the fares that it collects. Increasing this burden without new revenues to meet debt service needs is clearly not a viable option.

The challenges facing the MTA system demand a balanced approach. An important element of the MTA's financial picture that remains out of balance is spending on capital investments. The MTA's spending on capital investments is programmed through a series of five-year Capital Programs, which are developed by the MTA and subject to the approval of the MTA Capital Program Review Board, consisting of representatives of the Executive Branch, Assembly, Senate, and for projects involving MTA New York City Transit, the City of New York. This system, in place since 1982, has served the MTA system well, directing about $150 billion in 2014 dollars to maintenance, improvement, and expansion and fueling dramatic increases in service quality and quantity. Unfortunately, there is currently no approved Capital Program in place for the period 2015-2019.

It's important to note that the need for capital investment is ongoing and that we believe the State has a responsibility to adequately provide for the MTA's capital needs so that the vital work needed to maintain and improve bus, commuter rail, and subway service will not be delayed. There is much work to do. Although its infrastructure has been stabilized and reliability improved greatly from the 1970's and early 1980's, the MTA system requires a constant infrastructure renewal and maintenance effort to support this improved service. Rails and stations must be renewed, new buses, rail cars, and locomotives must be purchased, and signal systems must be replaced.

The capital needs of the MTA go beyond maintaining the system in a state of good repair. This region faces great challenges in adapting to new weather patterns, and the MTA's assets must be hardened against more frequent and severe storms. Further, ridership of the system is changing and expanding. We are seeing increasing demands on the MTA system, with ridership, particularly in the subways, reaching levels not seen since the 1940's and 1950's. There must be more capacity to handle these increasing demands. For this reason, the MTA needs modernized signal systems that allow more trains to travel over the same tracks and new fare systems that will allow it to efficiently collect fares and speed bus boarding. It must continue the development of better information systems, such as the subway "countdown clocks," the BusTime information system, and help point intercoms, which make travel more secure and efficient.

The MTA must follow through on the commitment that it and the City made to providing rapid bus service and to expanding and improving the rapid bus network. It needs to provide new commuter rail facilities and equipment to respond to changing population and development patterns on Long Island and in the five MTA counties north of New York City and to ensure that LIRR and Metro-North service meets federal mandates and is as safe as possible. This is not possible without a robust MTA Capital Program and the funding to carry it out.

For all the good that the Capital Program has done and all the promise that it holds for the future, there remain serious issues in addition to the current lack of an approved Program. The first is that the MTA investment in its capital assets is stunningly low. One common estimate sets the value of the MTA's asset base at approximately $1 trillion, while a more conservative figure that considers depreciation and other factors in a manner consistent with the financial statements of major corporations sets the value at $485 billion. Even at this lower figure, the MTA invests in its capital assets at a rate of only 1.1 percent per year, dramatically lower than private freight railroads that invest at rates annual rates between 6 and 7 percent. The MTA's relative investment rate is even lower when compared to regional utility companies and other firms in the transportation industry such as UPS and FedEx.

Planning for adequate investment in the MTA's asset base will mean nothing if the resources necessary to achieve these plans are ultimately unavailable, and the PCAC remains apprehensive that necessary resources may not be at hand to make necessary transportation investments. Even at the relatively low reinvestment rate that the MTA has proposed for 2015-2019, only about one half of the funding to make these investments has been identified.

The MTA's proposed Capital Program includes a funding gap of $15.2 billion, and that is assuming current federal support for transit will be maintained. Recent history does little to quell those fears. The 2009-2014 MTA Capital Program was not fully funded when initially adopted, was reduced to meet available funding, and was largely financed through increased debt backed by funding originally intended to provide capital funds on a pay as you go basis. The outlook for this MTA Capital Program is, if anything, worse than in 2009.

This year's Executive Budget proposal is not encouraging. While gaining approval of an appropriately sized and adequately funded Capital Program is the MTA's most critical need for the future, the Executive Budget essentially does not address the MTA's looming capital resource needs. This leaves the MTA unable to make substantial long-term commitments to capital spending, threatening the State's construction and industrial sectors and the thousands of jobs that depend upon them.

In addition, we continue to be concerned by the ongoing diversion of revenues from dedicated transit funds to uses other than those for which they were originally intended. In this Executive Budget, $121.5 million of transit revenues from the Metropolitan Mass Transportation Operating Assistance program (MMTOA), which are dedicated to downstate operating needs, are used to fund a new capital account, while the State simultaneously increases operating funds for the MTA with $37 million from general funds. A further diversion of dedicated funds is found in the continuation of the use of dedicated MMTOA transit funds to pay off State debt, in this case directing $20 million to pay the debt service on State "Service Contract" bonds. This diversion is planned to be repeated through 2019.

An improving economy has strengthened the MTA's financial position, but these positive developments could be short lived without adequate financial support from the State. The system is simply not in a position where it can afford to lose revenue sources. The MTA's adopted budget projects a closing cash balance of only $64 million for 2015, which is a razor thin margin for an organization with an annual budget of over $13 billion. We are thankful that the MTA's finances allow for essential service to be maintained, but the fact remains that this cushion is less than one half of one percent of the MTA's total expenditures.

Because this budget remains so precariously balanced, the stability of the MTA's funding is critical. The PCAC has for many years called upon our elected officials to provide the MTA with a balanced package of funding sources that, taken as a whole, are stable, reliable, and able to grow in line with the increased cost of providing the level of transportation services that are provided. We continue to believe that safeguards, such as a meaningful lockbox for dedicated funds, should be in place to prevent raids on MTA funding. While there is reason to be cautiously optimistic about the current financial picture, changes can be rapid. Many of us remember all too well that the MTA's abundant resources of 2005 and 2006 evaporated quickly into the financial crisis of 2009 and funding and service cuts of 2010.

If new dedicated funding is not provided to the MTA, the only way to fund the Capital Program will be more bonding against existing revenues. But it is not reasonable to ask an entity that cannot meet its full operating costs through farebox revenues and can only with great difficulty produce a self-sustaining budget to fund capital expenditures through bonds backed by fare revenues. As we noted earlier, this strategy will only result in an increase of the MTA's current debt load of $34 billion and further increases in annual debt service projected to reach $2.9 billion in 2018 and amount to over 49 percent of fares collected.

We believe that the state must return to its legacy of support for the MTA and ensure that funding the 2015-2019 MTA Capital Program will not put pressure on the MTA's operating budget or on its fares and tolls. Along with riders, those who receive advantages from the MTA system also include motorists, business and real estate interests, and all who depend on the economic vitality made possible by the MTA system. These persons and entities have traditionally paid their share of the cost of operating the MTA through a series of dedicated taxes and State general fund appropriations, and the State must now take a fresh look at funding sources that are tied to benefits that the system generates.

Creating a strong and equitable funding structure for the MTA may require consideration of measures such as rationalization of bridge and tunnel crossing charges to generate additional toll revenue while reducing the negative impacts of "bridge shopping" on neighboring communities. Revenues could also be increased through adjustments to some of the existing revenue sources that benefit the MTA system. Another possibility for new revenue is the capture of a portion of the value created through the construction or improvement of transit facilities through special assessment districts or other means.

The State rose to the challenge of rescuing the MTA from its 2009 financial crisis and we ask for you to once again rise to the challenge of creating a more usable and efficient system. The Downstate region and our State would not exist in their present form without the public transportation service provided by the MTA and its operating agencies. It is only proper that all those who are benefitted by the MTA system provide for its support. We ask for our elected officials to initiate and guide a public discussion that leads to a funding structure that will assure the long term success of the MTA system.

Testimony by Latonya Crisp-Sauray, Recording Secretary, Transport Workers Union Local 100

Joint – Senate Standing Committee on Infrastructure and Capital Investment
Public Hearing: Metropolitan Transportation Authority (MTA) Budget and Finances

March 2, 2015, Albany, New York

Good morning, my name is Latonya Crisp-Sauray. I am the Recording Secretary of the Transport Workers Union Local 100, the largest transportation union in the nation. We represent 40,000 bus, subway, and bikeshare workers throughout New York City and Westchester County. I want to thank Senator Marcellino and Senator Robach for giving me the opportunity to provide testimony on the Metropolitan Transportation Authority's budget and capital program.

Public Transportation Essential to New York's Economy
The MTA's four-year $32 billion capital plan lays out critical investments to maintain $1 trillion in assets and to expand the system to meet the needs of New York's vibrant, growing economy. More than half of the capital program, or approximately $17 billion, is committed to the New York City Transit Authority and MTA Bus Company. These two agencies alone served more than 2.4 billion passengers in 2014, accounting for more than twice the ridership of the top fourteen transit agencies in the United States combined. This speaks to the essential role of the transit system to New York's economy.

Hundreds of thousands of working families rely on public transit to get to their jobs, school, medical appointments, and places of worship. Thousands of businesses depend on the transit system to drive customer traffic and make sure their employees arrive to work on time. Our robust public transportation system minimizes road congestion and pollution, enabling us to cut down on inefficiency and reduce harmful effects to our environment. And, as our economy continues to rebound from the recession, the demand for reliable, safe, and affordable public transportation is increasing every day.

John Samuelsen *President* | **Earl Phillips** *Secretary Treasurer* | **LaTonya Crisp-Sauray** *Recording Secretary* | **Angel Giboyeaux** *Administrative VP*

The Importance of a State of Good Repair

Full government support for the MTA capital program is absolutely necessary to keep New York's economy moving forward. First, we must invest in maintaining a state of good repair. Our transit system is over one hundred years old, and regularly encounters problems due to infrastructure deterioration. Seven major asset categories are more than 20% backlogged in state of good repair investments. These include passenger stations, signals, and power. As a Bus Operator, I know firsthand that failing to properly monitor and rehabilitate deficient structures, equipment, and vehicles results in frustrating and often dangerous conditions for riders and workers. Injuries and delays in service cost millions of dollars in lost productivity. Investing in a state of good repair allows us to avoid preventable breakdowns that curb economic activity and pose risks to public safety.

The Role of Public Transportation in Supporting Job Growth

Second, we must invest in system expansions in order to adapt to population shifts and changing ridership trends. According to the Center for an Urban Future, the greatest rates of job growth are taking place outside of the central business districts in Manhattan.[1] Neighborhoods such as Sunset Park in Brooklyn and Hunts Point in the Bronx are adding thousands of jobs to the economy. Yet, these communities lack adequate public transit services that help residents get to work within forty minutes.[2]2

Bus Rapid Transit is the solution to this problem. At a fraction of the cost of new subway construction, Bus Rapid Transit offers flexible and fast surface transportation. The incorporation of elements such as dedicated lanes, priority signaling, and real-time travel information produce greater travel speeds, frequency of service, and capacity. Full-featured Bus Rapid Transit will enhance the redundancy of the current transit network, providing New Yorkers with direct and accessible connections to subway services. BRT creates pathways to jobs for low-wage workers, especially in the outer boroughs; to healthcare for people with disabilities and seniors; and to better education for our children. A true BRT network will also reduce our reliance on cars and fossil fuels, empowering the City to scale down our carbon footprint.

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[1] "New York by the Numbers Economic snapshots of the five boroughs New York by the Numbers Economic snapshots of the five boroughs." Center for an Urban Future: Volume 1, Issue 2. September 2008. https://nycfuture.org/pdf/Five_Borough_Growth.pdf

[2] Sarah M. Kaufman, Mitchell L. Moss, Justin Tyndall and Jorge Hernandez. "Mobility, Economic Opportunity and New York City Neighborhoods." The Rudin Center for Transportation, New York University. December 2014. http://wagner.nyu.edu/rudincenter/wp-content/uploads/2014/12/NYURudinJobAccessReport.pdf

Proposal for Bus Rapid Transit

In view of these benefits, I propose that the State support investments in brand new Bus Rapid Transit routes in the Bronx and Brooklyn. The route in the Bronx will connect Pelham Bay and Eastchester to East Harlem, servicing Coop City, Baychester, Pelham Gardens, Morris Park, Parkchester, Soundview, Classon Point, Hunts Point, Port Morris, and Mott Haven. At its southernmost terminus, this route will serve passengers using the future Second Avenue Subway at 125th Street. The route in Brooklyn will connect Sunset Park with John F. Kennedy International Airport, servicing Borough Park, Windsor Terrace, Prospect Lefferts Gardens, Flatbush, Ditmas Park, East Flatbush, Brownsville, East New York, Lindenwood, and Howard Beach. Both of these routes will link residents in transit-underserved communities to major hospitals, such as Jacobi Medical Center and Kings County Hospital, which are key centers of employment in the burgeoning healthcare sector.

Bus Rapid Transit will significantly improve the quality of life and broaden economic opportunities for the 660,000 residents living within a half-mile of these routes. Compared with local bus service, Bus Rapid Transit in these communities will connect 27% more workers to jobs within a 40-minute commute. On average, each worker will have access to 30,000 jobs. Over 60% of the workers living along the proposed BRT routes earn less than $37,000 a year. BRT would allow the average low-income worker to reach over 20,000 jobs that they qualify for.

A Good Return on Investment

Together these two Bus Rapid Transit routes will cost $120 million in initial capital construction. I want to stress that these projects will offer a good return on investment. The routes will create 382 new jobs, which includes not only direct jobs for downstate transit workers, but also upstate bus manufacturing jobs. Bus Rapid Transit will add almost $20 million in value to the state economy, produce over $50 million in industry activity, and result in a $2 million increase in state and local tax revenues during the year of construction. Once the routes are operating, they will directly employ 234 transit workers, support another 60 jobs throughout the economy, produce almost $10 million in industry activity, and result in an $800,000 increase in state and local tax revenues. Every dollar invested in these two Bus Rapid Transit routes will stimulate $1.68 in economic activity for the entire state.

TRANSPORT WORKERS UNION
OF GREATER NEW YORK • AFL-CIO • LOCAL 100

John Samuelsen *President* | **Earl Phillips** *Secretary Treasurer* | **LaTonya Crisp-Sauray** *Recording Secretary* | **Angel Giboyeaux** *Administrative VP*

Government Financing of the MTA

Adequate funding is vital to ensuring quality, affordable, safe, and accessible public transportation for now and for the future. Preserve the Payroll Mobility Tax, Payroll Mobility Tax Replacement Funds, and MTA Aid to forestall fare hikes or service cuts. Consider requiring for-hire car-sharing companies, such as Uber and Lyft, to pay a $0.50 surcharge like yellow taxicabs. In 2013, Uber provided over 100,000 rides per week in each of its largest markets, which includes New York City. A fifty-cent fee on Uber rides taken in the city would result in at least $2.6 million annually. This revenue will increase year after year as private car-sharing companies further broaden their customer bases in New York.

The bottom line is that New York cannot afford to delay investments in public transportation. Failing to do so will cost us millions of dollars in growth potential for our economy and hundreds, if not thousands, of jobs around the state. We must fully invest early and sustain our commitments to continue strengthening our economy.

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SENATE STANDING COMMITTEE ON INFRASTRUCTURE

AND CAPITAL INVESTMENT

AND TRANSPORTATION

PUBLIC HEARING ON METROPOLITAN TRANSPORTATION AUTHORITY

BUDGET AND FINANCES

MARCH 2, 2015

HEARING ROOM A LEGISLATIVE OFFICE BUILDING

TESTIMONY OF

JAMES MELIUS

ADMINISTRATOR, NEW YORK STATE LABORERS PAC AND LABOR MANAGEMENT FUND (LECET)

AND

GEORGE S TRUICKO, ASSISTANT BUSINESS MANAGER OF LOCAL 1298

CHAIR, NEW YORK LABORERS' PAC

Senators Marcellino, Robach, and other Committee members, we appreciate the opportunity to testify before you at today's hearing. Our union represents over 40,000 construction workers in New York State. The majority of these members work and reside in the region covered by the MTA. MTA construction and maintenance projects are an important source of work for our members and signatory contractors. Currently, we have members working on the 7 Line Extension, East Side Access, Second Avenue Subway, the Robert F. Kennedy and Whitestone Bridge projects, and numerous other projects in the region covered by the MTA. Our members are very proud to be part of these projects which are so critically important to our state.

Our members and their families are also users of the MTA system and rely on the system to get to work and for many other activities. Our members often work at transportation construction projects during off peak hours to avoid impeding traffic on rail, subway, and bridges. These members are dependent on a transit system that functions 24 hours a day not just during normal commuting hours. They also live throughout the region, often far away from where they work. Good service throughout the MTA region is important to them.

MTA Capital Plan

Our union and our contractors have a major interest in the MTA having a robust capital plan. The currently proposed capital plan for 2015 to 2019 totals over $32 billion but projects a funding gap of over $15 billion. We believe that this gap needs to be filled. While one could propose delaying or reprioritizing some projects, there are actually many important capital projects that are critical for the continued function of this vital transportation system. The MTA has already pointed out the possible delays in completing projects such as the Second Avenue Subway and East Side Access if their capital plan is not funded. This would cost jobs for many our members and contractors.

Many years of inadequate funding have left a large backlog of work needed just to maintain the current system let alone the badly needed expansion and modernization of this system. The growth and vitality of our economy is dependent on maintaining and improving our transportation systems. People in the region are demanding more and better service not less.

Funding

Our state and country seem to better understand and support the need to address our failing and inadequate transportation and other infrastructure. The MTA itself has documented the many needed upgrades to its equipment and infrastructure. We know what needs to be done. We just haven't decided how to pay for it. Now that our economy has largely recovered from the recent recession, there is little excuse for continuing to postpone the needed investments. I have several suggestions for your consideration:

1. Importance of Long Term Funding – It is important that the MTA system be provided with an adequate budget over a number of years. Stability of funding is critical for the long term planning needed for these large complicated projects. Uncertainty about the available of adequate funding makes these projects much more difficult. Stable long term funding is also important for the construction industry. If the construction industry within the region does not foresee a steady flow of future work, they will leave New York without the skilled contractors necessary for these projects. Similarly, the trained and skilled workforce will look to move out of New York in search of steady employment. A skilled trained work force and good contractors are essential to get these projects done efficiently.

2. Federal Funding – As you know, federal transportation infrastructure funding also needs to be renewed. We have now had several years of short term extensions to this legislation which have made planning and implementing long term projects difficult. The new Congress is trying, once again, to do a longer term bill. New York has new members on the key House Committee, and we need to make sure that they understand our state's transportation needs. Our union along with other construction unions, our contractor associations, and key business groups (including the US Chamber of Commerce) are working together to get this legislation passed. We need to make sure that our state makes a concerted effort to help pass this legislation and that New York State gets its appropriate share of funding. A long term federal bill is not likely to cover all of our current needs, but it would be helpful and would help with long term planning.

3. Balanced Long Term Approach – There is no "magical" source of funding that will provide the necessary resources for funding the MTA capital program. The $5 billion bank settlement wouldn't do it. We also can't unfairly place the funding burden on only a few segments of those that benefit from the MTA system. Relying on multiple sources including fares, tolls, tax revenue, motor vehicle taxes, etc. is both the fairest and only feasible approach. Continuing to place a long term debt burden on the MTA is also not a viable approach. The revenue sources should cover the full costs. A combination of revenue sources should be able to close the gap in

the current capital plan, but we need to recognize that will most likely mean significant increases in fares and tolls and other current revenue sources. At the same time, we need to consider other funding sources such as tolling the East River bridges. Move NY will discuss their plan later today. While this plan has many good aspects, it needs to be carefully reviewed and more specificity is needed to understand its full impact and costs. Our union did not support Mayor Bloomberg's congestion pricing plan in part because of concerns about how it impact our members living in Queens, Brooklyn, and Long Island. The new plan addresses some but not all of those concerns.

4. Equity – I would add that the MTA is just one part of our state's infrastructure funding needs. Our roads and bridge fund needs a long term funding plan as does the New York State Thruway. We also have major infrastructure funding needs for our drinking water and sewer and sewage treatment systems. These systems are also vital for our state, and their needs also must be addressed.

Thanks you for the opportunity to testify. I would be glad to answer any questions.

TRI-STATE TRANSPORTATION CAMPAIGN

Mobilizing the Region

Testimony
Of

The Tri-State Transportation Campaign

And

Empire State Transportation Alliance

At the Hearing on:

"Metropolitan Transportation Authority Budget and Finances"

Senate Standing Committee on Infrastructure and Capital Investment, and Transportation

Monday, March 2, 2015

My name is Nadine Lemmon, and I am the New York and Federal Policy Coordinator for Tri-State Transportation Campaign (TSTC). TSTC is a non-profit policy and advocacy organization working for a more sustainable transportation network in New York, New Jersey and Connecticut. I'm also testifying on behalf of the Empire State Transportation Alliance (ESTA), a broad-based coalition of business, civic and labor groups that came together in 1995 around the Transportation bond act to advocate for the MTA Capital Plan.

We support a fully-funded Metropolitan Transportation Authority 2015-2019 five-year capital program at $32 billion as proposed by the MTA ($22 billion of that is for state of good repair), and an additional $1 billion for transit systems across the state.

We were very pleased to hear in the Governor's State of the State that he supported several key components of the MTA's capital program, including completion of the Second Avenue Subway, construction of Metro-North's Penn Access project, and purchase of new rail cars and buses. But much more remains to be done.

While the MTA capital proposal represents a significant number, it still falls far short of what is generally acknowledged by the comptroller and other transportation experts as what is needed to keep New York's most valuable economic asset—its unparalleled $1 trillion transit system—in a state of good repair and to continue modest expansion. It also must be considered in the context of its broader value to the economic health of its service region with more than 14 million people, seven million workers and generating $1.4 trillion in GDP. Moreover, maintaining the MTA system contributes significantly to the upstate economy, given the number of suppliers and value-added services that exist in upstate New York to support the MTA's capital plan.

The MTA's daily ridership of 8.6 million has broken post-WWII records several times over the last few months, putting significant strain on the system. The Lexington Avenue subway alone carries 1.3 million people a day, exceeding the ridership of San Francisco, Chicago and Boston combined. The pressure on the MTA's physical assets to serve this increasing ridership is starting to show, with equipment- and facility-related train delays on the rise. City subways are behind 18% in on-time performance and 16% in subway car breakdown rates as of December 2014, according to NYC Transit's own performance measures. Metro-North and Long Island Rail Road have similarly struggled in managing their aging assets.

A fully-funded five-year plan that can systematically address these issues as well as existing and anticipated growth is vital. In addition to state-of-good-repair investments, system enhancements from communications-based train control to Metro-North access to Penn Station and Phase II of the Second Avenue subway are necessary to address growth as well as ensure the efficiency and reliability of the century-old system.

Additionally, the MTA had $4.7 billion in damage to tunnels and facilities caused by Superstorm Sandy. While the MTA is receiving $4.5 billion in federal financial aid to restore Sandy damage, Sandy shows the need, over the next five years and beyond, to help prevent damage and fortify the system from likely extreme weather events.

As in prior years, the 2015-2019 capital plan is anticipated to be funded through a combination of revenue-backed and direct capital support from federal, state and local partners. But the MTA can't rely exclusively on these revenue sources to address the $15 billion funding gap between the sum of those sources and the plan's goals. With a full 17% of the MTA's operating budget—some $2.2 billion a year—already committed to pay debt service on bonds issued for *previous* capital programs, further borrowing would result in unsustainable pressure on existing fares and tolls. New, stable and dedicated revenue sources must be found.

We also strongly support a commitment of $1 billion to maintain and improve transit systems in New York State. Transit ridership is on the rise across the state, and fleets and facilities from Albany to Buffalo to Syracuse need additional investment to accommodate growing demand.

The importance of the MTA to the New York metropolitan region cannot be overstated. If the ambitions of the 2015-2019 capital plan aren't realized, the region's economy will be negatively affected, diminishing mobility while lowering the region's desirability for businesses and job creation. That in turn will compromise the Empire State's stature as a global business center.

For these reasons, TSTC and ESTA support a fully-funded Metropolitan Transportation Authority 2015-2019 five-year capital program at a minimum of $32 billion along with an additional $1 billion for transit systems around the state. Viable funding options exist to support these initiatives, and we urge you to identify new revenue sources to fill any funding gaps.

We've attached a two-page memo to this testimony that outlines new revenue options. Another potential revenue source, not listed in this memo, is a $0.50-per-fare surcharge on Uber trips, a source that could bring in $90 million in annual revenues. Any new revenue sources should meet the following conditions:

- New revenue should be balanced amongst all indirect and direct beneficiaries of the system given the importance of the system to the region.
- New revenues must not replace nor reduce existing dedicated revenue sources, including the payroll mobility tax, fuel taxes and other dedicated revenues.
- New revenues must be adequate to underwrite the 2015- 2019 Five-Year Capital Program, and should not, whenever possible, lose purchasing power over the course of the program.
- A mechanism should be created to ensure new revenues are used exclusively to finance MTA capital projects. Road and bridge projects should be included in revenue scenarios to ensure funding equity for other regions/modes in the State.

Most, if not all of the options listed in this memo could be further leveraged by issuing bonds—almost $1 billion in bonds can be issued for every $62 million in new, annually recurring revenues raised.

We thank you for your consideration and look forward to engaging with you in the coming months to help you forge a solution to meet these critical infrastructure needs.

Revenue Options for a Fully Funded 2015-2019 MTA Five-Year Capital Program

Empire State Transportation Alliance

Statement of Need

The Empire State Transportation Alliance (ESTA), a broad-based coalition of business, civic and labor, support a fully funded Metropolitan Transportation Authority 2015-2019 Five-Year Capital Program at $32 billion as proposed by the MTA. Clearly a large number, it is still far short of what is generally acknowledged by the Comptroller and other transportation experts as what is needed to keep New York's most valuable economic asset – its unparalleled $1 trillion transit system – in a state of good repair and to continue modest expansion. It also must be considered in the context of its broader value to the economic health of its service region with over 14 million people, 7 million workers, and one that generates $1.4 trillion in GDP.

As in prior years, the 2015-2019 Capital Plan is anticipated to be funded through a combination of revenue backed debt and direct capital support from federal, state, and local partners. However, the MTA cannot rely exclusively on these revenue sources to address the $15 billion funding gap between those sources and the Plan's goals. With a full 17% of the MTA's operating budget – some $2 billion a year – already committed to pay debt service on bonds issued for *previous* Capital Programs, further borrowing would result in unsustainable pressure on fares and tolls. New, stable and dedicated revenue sources must be found.

ESTA had developed the following revenue options for a fully funded 2015-2019 MTA Five-Year Capital Program.

Revenue Principles

Any new revenue sources should meet the following conditions:

- New revenues must not replace nor reduce existing dedicated revenue sources, including the payroll mobility tax, fuel taxes and other dedicated revenues.
- New revenues must be adequate to underwrite the 2015-2019 Five-Year Capital Program, and should not, whenever possible, lose purchasing power over the course of the program.
- A mechanism should be created to ensure new revenues are used exclusively to finance MTA capital projects. Road and bridge projects should be included in revenue scenarios to ensure funding equity for other regions/modes in the State.

Revenue Options

The Governor and Legislature should consider the following revenue sources as options for creating an equitable, reliable funding stream for the MTA capital program. Most, if not all of these options could be further leveraged by issuing bonds - almost $1 billion in bonds can be issued for every $62 million in new annually recurring revenues raised.

New Revenue Scenarios (in millions $)

	Low	Medium	High
Increase vehicle registration MTA surcharge	129	386	663
Increase Petroleum Business Tax	110	220	440
Increase MTA region sales tax surcharge	274	412	549
City of New York contribution	100	200	363
Remove gasoline sales tax cap	344	344	344
Fair tolling plan	1,084	1,084	1,084
Annual Total (recurring)	**2,082**	**2,687**	**3,484**
Bank settlement funds (2015)	850	850	850
Annual Total (2015)	**2,932**	**3,537**	**4,334**

Bank Settlement Funds

The State received $5.4 billion from several major bank lawsuits. The Governor has earmarked close to $4.55 billion for other purposes, about **$850 million funds remain unallocated.** The one-time nature of this revenue makes it most appropriate to pay for infrastructure, rather than a recurring operating cost and could eliminate a portion of the MTA's funding gap.

Broader-based, equitable vehicle tolling

A fair tolling scheme that reflects the Move NY proposal would generate $1.5 billion net annually, allocating $375 million for roads and bridges and **$1,125 billion for transit.**[1] This source has the benefit of reducing traffic, increasing mass transit ridership, spreading costs fairly, and yielding new revenue to invest in both mass transit and the City's road and bridge infrastructure. The fair tolling scheme could fund billions of dollars in transit capital investments if significant portion of its revenue stream were bonded.

City of New York Contribution

The City currently contributes around $100 million per year to the MTA to support the capital program. During the MTA's first five-year capital plan in 1982-1986, the City contributions averaged $136 million per year. If the City kept its contributions

1 Source: RPA and MoveNY

constant over the years and indexed to inflation, it would be currently contributing **$363 million per year** to the MTA five-year capital plan – a more than threefold increase.

MTA surcharge on vehicle registration fees

Increase the MTA surcharge on vehicle registration fees and dedicate the additional revenue to transit. Currently, all passenger vehicle original registrations and renewals in the MTA region must pay a supplemental MCTD[2] (Metropolitan Commuter Transportation District) fee, or MTA surcharge, of $25 per year. An increase in this to:

- $50 would generate **$129 million in additional annual revenues.**
- $100 would generate **$386 million in additional annual revenues.**[3]

If New York increased the MTA region's annual registration fee even further to meet the 2011 national average of $184.04,[4] it would generate $663 million in additional annual revenues.[5] Aslo, if not administratively burdensome, fees should vary based on vehicle weight and age, or fuel efficiency.

Petroleum Business Tax (PBT)

Increase the PBT on motor fuel and index it to inflation with all new revenues dedicated to transportation. As of January 2015, the PBT was decreased from 18.6 cents per gallon (cpg) to 17.8 cpg, which will lower revenues for the MTA by $19 million. Three different rate increases are outlined in the table below:

Cents per gallon	PBT Revenues, annual (billions)	Additional MTA Revenues, annual (millions)
18.6 (2013 actual)	$1.17	N/A
23.25 (125 percent increase)	$1.46	$110
27.9 (150 percent increase)	$1.76	$220
37.2 (200 percent increase)	$2.34	$440

Sales Tax

Increase the sales tax. A sales tax dedicated to transportation has had support elsewhere in the United States when new revenues are tied to specific improvements. The MTA already underwrites some capital investment with a small, dedicated sales tax surcharge 0.375 percent in the MTA region, which generated $823.3 million in revenue for the MTA in 2012.[6] Three rate scenarios include:

New MTA Surcharge (percent)	Sales Tax Revenue, annual (billions)	Additional MTA Revenues, annual (millions)
0.5	$1.10	$274
0.5625	$1.24	$412
0.625	$1.37	$549

2 The 12-county MCTD includes the following counties: Bronx, Dutchess, Kings, Nassau,New York, Orange, Putnam, Queens, Richmond, Rockland, Suffolk and Westchester

3 Calculations based on 2013 vehicle registrations on file.

4 *State-by-State Comparison of Annual Motoer Vehicle Registration Fees and Fuel Taxes.* Idaho Transportation Department. 2011.

5 Assumption: all fee increases would go towards the MTA

6 Source: MTA 2014 Adopted Budget

Other states and municipalities have enacted aggressive sales taxes. For example, Los Angeles has enacted Measure R is a 0.5 cent sales tax on most consumables for LA County to finance new transportation projects and programs (in addition to the prior 2.5 cent transportation county sales tax), and accelerate those already in the pipeline (took effect in July 2009). The tax is expected to generate $40 billion in new local sales tax revenues over 30 years. Estimates suggest the tax increase costs each resident an average of $25 annually.

Ceiling on the State Gasoline Sales Tax

Remove the ceiling on the gasoline sales tax and dedicate the additional revenue to transit. The current New York State sales tax is 4 percent, yet when applied to gasoline is capped at 8 cents per gallon, or the same rate paid when gas costs $2 per gallon. If the cap was lifted, the tax could have generated **$344 million in additional revenues** in 2013.[7] The below table outlines the potential additional revenues that could be generated when gas prices fluctuate.

Cost per gallon	Additional MTA Revenues without cap, annual (millions)
$2.50	$107
$3.25	$268
$4.00	$429

Value Recapture Strategies

Value capture refers to strategies government can use to capture any sort of location-based value to help finance public transport systems.

A local example of this is the Hudson Rail Yards Development Project on the far west side of Manhattan. The transit component of this project, the Flushing Line extension, is being funded with incremental public revenues generated by the new development. A mechanism similar to tax increment financing (TIF) raised $2.1 billion, or 88 percent of the project costs. The revenues generated by the value capture mechanism back the bonds issued to finance the infrastructure investment.

Another successful example of value capture is London's Business Rate Supplement (BRS) that is currently being collected to help fund the 21 kilometer-long Crossrail project. This tax supplements an existing property tax on commercial buildings and is levied primarily on existing buildings that are expected to benefit economically from the new transit access. So far, the BRS has captured about 30 percent of the funds needed for the Crossrail.

New York's Second Avenue Subway Phases III and IV will likely raise the value of commercial buildings in close proximity to the new line. The MTA could look to London's Crossrail tariffs to assess reasonable value-based fees to underwrite a portion of this construction.

7 Calculations based on total gasoline gallons consumed in 2013 and the New York State 2013 average gas price of $3.60 per gallon.

Move NY

Faster. Safer. Fairer.

Written Testimony re. Financing the MTA's 2015-19 Capital Program

Submitted by Alex Matthiessen – Director, Move NY

Before the Joint Senate Hearing of the Committees on Infrastructure and Capital Investment, and Transportation

March 2, 2015

Chairman Marcellino, Chairman Robach and Honorable Members of the New York State Senate:

Thank you for the honor of inviting me to speak to your committees today. My name is Alex Matthiessen and I am the president of Blue Marble Project, an environmental consulting firm, as well as the director of the Move NY campaign, on whose behalf I am testifying here today.

Move NY is a region-wide grassroots campaign seeking to build support for a master transportation plan for the New York City metropolitan area developed by traffic guru "Gridlock" Sam Schwartz and the Move NY coalition. The Move NY coalition – comprised of businesses and business groups, unions, clergy, civic leaders, transportation and environmental advocates, and good governance organizations – formed in 2010 in response to the growing crisis facing the region's transportation system: severe service cuts, escalating fares and tolls, pothole ridden roads, deteriorating bridges, and a dwindling funding base with which to fund the maintenance and improvement of our transit and road network.

As you, Chairman Marcellino and Chairman Robach, understand better than most, New York's economic future depends largely on the ability of workers to get to their jobs on time and freight companies and service professionals to reach their customers. We can't expect the region to thrive and compete if we continue to be dependent on a transportation system that struggles to meet standards other global cities surpassed decades ago.

New Yorkers are facing a transportation crisis. The MTA's 2015-2019 capital program that was released last fall requires an estimated $32 billion in new capital resources. While that figure is not insubstantial, it represents a mere 3% of the system's trillion dollar value and is considered by most transit experts to be on the low end of what is required to maintain the system, let alone bring it up to 21st Century standards.

Chairman Prendergast and others have already outlined the crucial investments that must be made and have pointed to the $15.2 billion that still needs to be identified. Rather than repeat what they've said about the importance of reinvesting in the system, I will instead cite a study released a few months ago by Comptroller Tom DiNapoli's office that I think speaks to the problem of how we currently finance the MTA.

In it, the Comptroller warns that if we resort to trying to plug the capital plan's

$15.2 billion hole by issuing yet more fare- and toll-backed debt – on top of the staggering $39 billion in outstanding debt the MTA is already carrying – the region's straphangers and drivers, who are already shouldering much of the burden, will face an increase in fares and tolls of 15% – on top of the 4+% biennial increases the MTA has already hard-wired into the system. In other words, if we turn once again to current riders and toll payers to bail us out, those commuters will be looking at 24% worth of fare and toll increases over the next five years. That is unfair and unsustainable.

Moreover, it is unconscionable to ask those who are already paying more than their fair share to pay still more when there is one group that pays zero to use the city's roads and bridges and has not, since the tolls on the East River bridges were removed a century ago, been asked to contribute anything. That group is the region's drivers who regularly take advantage of the free crossings into the city's most traffic plagued and transit rich area: the city's Central Business District, defined as Manhattan south of 60th Street.

Move NY has developed a plan, in consultation with the region's stakeholders and elected officials, which will address this toll inequity while reducing traffic and unleashing enough untapped revenue to entirely fill the MTA's $15.2 billion funding gap as well as finance much of the city's road and bridge needs. And despite it being a tolling plan, Move NY has the support of the two groups that represent the state's motorists and truckers and who have adamantly opposed past attempts to toll the East River bridges – AAA and the New York State Motor Truck Association. Others that have endorsed the plan include the New York Building Congress, TWU, ATU and SEIU 32BJ, as well as three of the city's five borough chambers of commerce and nearly all of the region's major environmental and transit organizations.

I will summarize the plan here but would be happy to brief your offices in more depth at a later date.

The Move NY Fair Plan is, in essence, a "toll swap," where tolls will be significantly reduced on the MTA's seven peripheral bridges – including the Verrazano, Throgs Neck, Whitestone, Triboro and other bridges – and restored on the four East River bridges, as well as along 60th Street. Tolling motorists entering the CBD from the north is important since they constitute over fifty percent of CBD-bound vehicles and not to toll them would be unfair to Long Island's drivers (and by Long Island, I mean drivers from Suffolk, Nassau, Kings and Queens counties) who are being asked to contribute.

All CBD-bound MTA tolls will match those on the two East River tunnels, thus eliminating what is known as "bridge shopping" and the many problems it brings: increased incidence of asthma and other respiratory illnesses and vehicular crashes that kill or injure hundreds of pedestrians each year. The new ratio between the lowered outer bridge tolls and the new CBD tolls will be fixed over time so that one can not be raised without the other, thus putting downward pressure on excessive toll increases.

All MTA tolls will be gateless and electronic – i.e., tolls will be collected via E-ZPass, camera license plate technology, or smart phones and the like, without disrupting the natural flow of traffic. Tolls on commercial vehicles will be capped at one (round-trip) toll a day in order to encourage business activity in and around the core. Metered taxis, including the new on-demand services, will be exempt from all MTA tolls, including on the two East River tunnels, but will include a surcharge for travel within the "taxi zone" (i.e., Manhattan south of 96th Street). For-hire vehicles like black livery cars will not pay a surcharge but will pay the new CBD tolls at the same rate as passenger vehicles.

The Move NY Fair Plan will generate $1.5 billion per year – and that is net of revenue losses on the outer tolls and the new system's implementation costs. One-quarter of the new revenue will go to maintaining and improving the city's roads and bridges upon which many of the region's suburban drivers rely; the remaining three-quarters will be dedicated to funding the maintenance and modernization of the MTA regional transit system. Bonded, the transit portion of the revenue will generate $15 billion -- enough to fully cover the MTA's projected gap in funding for its 2015-19 capital plan. We believe a priority should be placed on filling transit gaps – those parts of the city underserved by rapid transit options – *before* the new tolls go into effect. Likewise, no new tolls should go into effect until and unless toll relief for the city and region's more far-flung drivers takes place simultaneously.

Most of the revenue will be intrinsically protected by virtue of its collection directly by the MTA (and/or NYCDOT) and its temporary deposit in a newly created financing authority. Thus, the revenue will not be subjected to annual appropriations or "raids" in the state legislature. In order to solve the MTA's (and DOTs') funding crisis, this money must be additive, meaning that existing dedicated tax revenues must be preserved at current or higher levels.

In sum, the Move NY Fair Plan will cover all of the city's capital transit needs and much of its road and bridge investment needs for the next capital planning period and beyond. Our hope is that the Governor and State Legislature will adopt the plan as their own and marry it with a statewide program to fund the rest of the state's transit, highway and bridge infrastructure over a similar period.

In our view, the MTA has few viable alternatives for funding its next capital plan. Each of those is either highly flawed and politically implausible, or both. To raise the $1.5 billion annually that the Move NY Plan will generate, those options include:

- increasing the gas tax by $0.52 in the 12 counties served by the MTA, which would indiscriminately penalize drivers in the suburbs who often have little choice but to drive their cars;
- increasing the 12 counties' sales tax by roughly three-quarters of a percentage point, which would hit the poor disproportionately and be highly regressive;
- more than doubling the payroll mobility tax or reinstating the commuter tax – two ideas that are almost certain nonstarters among suburban legislators.

The only other options are to slash the MTA's budget and hope for the best – which is a nice way of saying, 'watch our region's transportation system fall apart." Or, we could kick the can down the road and hope that some new silver bullet will emerge in the intervening years. But as conservative New York Post columnist and financial analyst, Nicole Gelinas, has said, congestion pricing is inevitable in New York City but the longer we wait to enact it, the more it will cost us to repair and replace the system critical equipment and infrastructure.

We believe the Move NY Fair Plan is fairer and more politically palatable than any of the other options and unlike any of those options it tackles a number of problems, that have vexed the region for decades, in one fell swoop.

We have received endorsements from some of the region's leading editorial boards – including Newsday, NY Post, Daily News, Crain's Business and Fox 5 News. We expect the region's other papers to follow suit. A recent poll conducted by Global Strategy Group found that the region's voters support the Move NY Fair Plan by two to one (62% to 31%). Suburban voters in the Hudson Valley and on Long Island also support the plan (57% in favor, even after hearing the typical arguments against the plan).

We look forward to discussing the details of the Move NY Fair Plan with you in the weeks to come. In the meantime, we hope that the one thing we can all agree on is the critical importance of properly and fully funding New York's transportation infrastructure.

Thank you for your time. I'd be happy to answer any questions.

Testimony of Denise Richardson, Executive Director
The General Contractors Association of New York
Senate Infrastructure and Capital Investment Committee
and
Senate Standing Committee on Transportation
Hearing on MTA Finances

Monday, March 2, 2015

Good afternoon Chairmen Marcellino and Robach and distinguished members of the committee. I am Denise Richardson, Executive Director of the General Contractors Association of New York, which represents heavy civil and public works transportation and infrastructure contractors. We are unable to attend the hearing in person, and instead respectfully submit this testimony.

Our 275 member firms employ over 20,000 unionized craft and professional workers that make up the very core of our State's middle class. It is on their behalf that I appreciate the opportunity to submit testimony about one of the most critically important infrastructure programs in New York State: the MTA Capital Program.

The MTA Capital Program is frequently discussed in the abstract, but I can tell you that it is anything but abstract for our members, their workers and families, and, in fact, all of New York State's residents whether they use the MTA system or not.

The Program is about maintaining the metropolitan region's subway, bus and rail network so that millions can get to work, school, health care and recreational activities. But what has been historically overlooked when prior MTA Capital Programs have come before the Legislature for funding and approval, is the fact that virtually every county in New York State benefits from that plan—and the economic activity the MTA generates directly and indirectly. Let me explain.

Aside from the direct jobs supported by MTA investments, the transportation network has enabled the economy of the metropolitan region to generate 11% of the national GDP. And while few may argue about the State's need to expand its technology network, the reality is that the backbone of the economy – even in 2015 -- relies on the movement of people, goods and services.

The recently proposed MTA Capital Program includes $4 billion worth of bus, rail and subway car purchases that will generate thousands of manufacturing jobs around the state at facilities in Plattsburgh, Yonkers, Hornell, Johnson City and Babylon, among dozens of others.

Unfortunately, the State's Executive Budget proposes to allocate only $750 million over five years to fund them. The inability to fully fund these critical rolling stock purchases will no doubt have a long-term impact on service in the MTA region, but will also have a shorter-term negative impact on many other regions throughout the state.

You may be surprised to learn that our private sector workforce – employees who work on MTA capital infrastructure projects in the metro region -- actually hail from virtually every county in New York State.

With an average annual wage of $87,000 — plus benefits and overtime — they generate an estimated $553 million in state income taxes, to say nothing of the local sales and real estate taxes they are able to pay from wages earned in and around New York City.

Certainly that makes the MTA's Capital Program extremely important in the context of the State's focus on helping a number of counties and towns north and west of the metro area that have been struggling to overcome the loss of manufacturing and other employment opportunities.

Given the inherent importance of the transportation system to the region and the state, it is of great concern that the MTA Capital Program faces significant deficits in necessary funding. The MTA's $15 billion gap cannot reasonably be funded with existing MTA revenues or additional debt that is not backed by new revenues. Nor can the Capital Program be reduced without long term consequences to the condition of our transit network. Deferred investments in the last century kept the fare low, but led the system to the brink of collapse in the '70s and '80s. We've spent decades and billions playing catch up.

The first MTA Capital Program was approved 33 years ago. That program was the start in turning around the economy of New York City. Track fires, and derailments all too common in 1982 have been virtually eliminated. Service failures have declined dramatically and ridership levels have returned to numbers not seen since the 1950s. Neighborhoods with close proximity to mass transit have grown and developed in ways that did not seem possible 30 years ago. But many of the elements replaced in the first Capital Program have reached the end of their useful life and must once again be upgraded and replaced. Other facilities such as vent plants, stations, and signals are still waiting to be replaced and rehabilitated.

Recent actions put even more pressure on Albany to find the resources outside of the MTA to pay for these essential capital repairs. If the MTA's originally planned 7.5% fare increase was not reduced to 4% the MTA would have enough revenues to support $12 billion in bond funds to help close that $15 billion hole.

By restoring various diversions of MTA capital funding, such as using pay-as-you-go capital dollars for labor settlements, or having the MTA pay the service contract fees on what was supposed to be state debt, one could likely close the whole gap.

Criticizing the MTA is easy and headline grabbing, but the fact remains that a reliable, safe, secure, clean and well-functioning transit system is essential for our basic mobility, quality of life and economic vitality. Without it, congestion would be even more unbearable for everyone, whether they take the system, drive, or simply rely on the efficient delivery of food, goods and services.

Surely the MTA could be more efficient in its operations, and its Chairman is committed to making it more so, but even if it were 50% more efficient, this still would not come close to filling a $15 billion hole in its Capital Program.

It is time to stop focusing solely on the MTA's internal operation and get to the heart of the real issue. Albany must also look internally and do two things to help. It should take the lead and implement concrete and constructive steps to help the Authority operate more efficiently – relieving them of a host of burdensome mandates – as well as find concrete ways to pay for the essential investments that have been identified. A wise first step would be take the $5.1 billion in settlement money and allocate a large portion of it to fund the MTA capital program.

It is also time to refocus on what we can do here in New York and not pass the buck by relying on the federal government to ride to the rescue. While the MTA has relied on federal funding to pay for nearly one-third of its capital program, the news from Washington is not promising in even maintaining the status quo. The existing federal transportation bill expired in 2013 and a series of temporary extensions, the latest of which expires in May, have provided four or five years of flat fund, which is, in effect, losing ground.

New York must take a new and sober look at its transportation needs and take the steps to fund its own programs. We cannot cede our economic future to the whims of Congress. We must enact a fully funded five year capital program for the MTA. The state's transportation network truly is the fiber that knits our diverse economy into the statewide whole.

The state's economic future and competitive advantage depends on it. Thank you.

BUILDING & CONSTRUCTION TRADES COUNCIL OF GREATER NEW YORK

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OF INDUSTRIAL ORGANIZATION

GARY LaBARBERA
PRESIDENT

NYS Senate Standing Committee on Infrastructure, and Capital Investment, and Transportation
Subject: MTA Budget and Finances Public Hearing
Date: February 2nd, 2015

My name is Gary LaBarbara, President of the Building & Construction Trades Council of Greater New York, representing 100,000 members in the five boroughs of New York City. I would like to thank the Senate Committee on Infrastructure, and Capital Investment, and Transportation for the opportunity to submit written testimony regarding the MTA Proposed Capital Budget.

During Governor Cuomo's recent State of the State, he proposed several inspirational projects under the MTA's purview. Projects including the AirTrain to Laguardia Airport, building several new Metro-North Stations in the Bronx, and essential investments to the MTA's infrastructure.

These projects will benefit the commute for millions of New Yorkers on a daily basis and even more so, the investment in upgrading our infrastructure will create good, middle class for the working men and women in New York's Construction Trades Industry.

For the MTA to afford the estimated budget for each of these projects, it will be left with a significant deficit, likely leading to additional fare increases on our taxpaying daily commuters. With downstate New York's infrastructure consistently diminishing, the State must increase its investment to these projects.

For example, the State is only investing one quarter of the funds required to build the four new Metro-North Stations in the Bronx. The MTA has an operating budget of $14.4 billion for 2015, year the State only plans to invest $750 million into the MTA Capital Plan.

With such constructive proposals, we need to ensure they are properly funded and given the opportunity to move forward.