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**PCAC Testimony Before Joint Senate Hearing on the**
**MTA Finances**
**Delivered by Lisa Daglian, Executive Director**
**September 29, 2021**

Good day Senators Comrie and Kennedy and to your distinguished colleagues. My name is Lisa Daglian and I am the Executive Director of the Permanent Citizens Advisory Committee to the MTA, PCAC. Created by the State legislature in 1981, PCAC is the MTA's in-house rider advocacy organization, representing riders on New York City's subways and buses and the Long Island Rail Road and Metro-North Railroad.

Thank you for holding this hearing today. The issues you are examining – the finances and projections of the MTA in the aftermath of COVID-19 and receipt of federal aid; reviewing the implementation of the Transformation Plan; and seeking updates on major capital projects – are of significant importance to riders and to the MTA as it looks to the future.

Even as we are beginning to see light at the end of the tunnel, with record post-pandemic ridership levels being recorded every day, our region and our transit system still face a long slog. The "hows" and "whens" of commuting are continuing to evolve as people and businesses figure out their next normal and as the Delta variant continues to remind us that the pandemic is not over.

How the new normal looks will have a direct effect on the future and fortunes of the MTA, which in turn will have a direct effect on riders. We've thankfully moved past the darkest fiscal days of the height of the pandemic, but they could certainly make a comeback and that's something we should all be concerned about and do everything we can to stave off. Before federal intervention, which came about thanks to the dogged efforts of elected officials such as yourselves, MTA leadership, and advocates in this room and across the country, the agency was literally going broke helping move New York. Even at the height of the pandemic, it continued to operate to serve essential workers. Every dollar available was used to keep the agency afloat and service available for those who kept the rest of us safe, and we appreciate it. Money was permitted to move from capital to operating to keep the system going while construction projects were put on pause under an agreement that we hesitatingly supported. While that money has been returned, the lockbox funds from 2020 – nearly $500 million from internet sales and the mansion tax – are not being repaid as of now. If the lock is picked, the money must be returned, or no one will trust that the lock is sturdy enough to withstand tampering.

It is essential that riders get back onboard to support the future of the MTA so that the MTA can support the region's economic recovery.

**Getting Riders Back On Board: Freedom Ticket Phase 2 and Commuter Rail Discounts**

There is hope – and the MTA has the opportunity to guide its ridership return by embracing more equitable and creative fares, including discounted 20-trip tickets and broader-based discounted commuter rail fares. Providing riders with more flexible and affordable commuter rail fares will help attract them back to transit, filling thousands of empty seats and achieving a more equitable fare structure. The commuter railroads can be the backbone of regional recovery efforts, while allowing the MTA the unique opportunity of guiding its ridership return.

The PCAC is proposing an expansion of the successful Atlantic Ticket Pilot Program, which came out of its Freedom Ticket proposal. Key recommendations include making the Atlantic Ticket Pilot Program permanent and improve purchasing options and marketing strategies to reach more riders; expanding Freedom Ticket to all LIRR and MNR City stations, with transfers to NYC Transit subways and buses; and implementing an Off-Peak and Reverse Peak Suburban Discount Pilot Program on both the LIRR and MNR for riders traveling to and from New York City and within suburban zones. These offer short- medium- and longer-term opportunities designed to help riders and the MTA. We support retooling the Outer Borough Transportation Account to help fund the city-based portion of these proposals, since as currently configured, Freedom Ticket offers steeper discounts than those proposed. We hope to work with you to make this happen. Other fare discounts, including discounted 20-trip tickets – similar to NJ Transit's FLEXPASS – should also be explored and implemented quickly to encourage ridership return.

**Financial State of the Agency: the MTA Needs Money**

Thanks to the infusion of more than $14 billion in federal funding delivered by Senator Schumer and his colleagues, the MTA is on better financial footing than it was a year ago. But red ink looms large and by 2024 we'll be back to scraping together change from the couch cushions.

Yesterday, Comptroller DiNapoli released his report on the Financial Outlook for the MTA. It highlights just how hard the pandemic hit the MTA; its fiscal future remains uncertain. But it is clear that federal funding is still needed to bolster the nation's largest transit agency, upon which the regional and even national economies depend. The MTA and its riders need a long-term plan to avoid a financial crisis after federal emergency funds dry up.

<u>Operating Revenue</u>

Dedicated operating revenue, whether from the federal government or through other measures such as raising the gas tax, must be part of the equation. Over this past year, we have been working with a broad national coalition on transportation and infrastructure funding, and our consensus is that the federal government should include a provision for operating funds in upcoming legislation. To our dismay, the MTA has not been particularly supportive of this funding stream, which essentially kills its chance of leadership support and passage. We understand the concerns about not wanting to trade off operating for capital funding, but since there is national momentum, we are disappointed the MTA is not onboard with this funding route. However, we will continue our conversations and hope for a positive outcome.

To us, raising the gas tax is also an obvious choice. It's been 8 cents a gallon since 2006 – and so much has changed since then. We've gone through the Great Recession and are hopeful that we're emerging from the COVID-19 pandemic. We're more conscious of climate change and our fragile environment, and this is one way to help move New York towards reducing emissions and driving. Tripling the gas tax to 24 cents could yield hundreds of million dollars for the MTA and would also benefit upstate transit systems – including with improved AMTRAK service – and roads and bridges.

Another option could be to increase the percentage of the gas tax and Petroleum Business Tax that the MTA gets; currently it's 19 percent and 37 percent respectively. A paradigm shift to support transit should result in a more equitable split between funding roads and bridges and more sustainable transportation in the form of subways, buses and commuter rail. Yet another possibility is a 10% COVID Recovery Fee on the Petroleum Business Tax for the 12 county MTA region, with a sunset provision, to help put the MTA on firmer financial footing. We are happy to work with you and your staffs on more specific proposals.

But cutting service and raising fares, as the MTA is considering as it looks to the future, will only drive away riders – and the very source of revenue it needs to survive. Any proposed service cuts must go through public and transparent public hearings – and we hope that elected officials will hold the MTA to looking at every other possible option. As we know, and the Comptroller notes, "Implementing the reductions…has the potential to dampen ridership and associated revenue." That's setting up for a death spiral.

Capital Program and Funding

The FY2020-24 capital program was supposed to finally bring us the 21st century transit system our 21st century region deserves. The funding outlook was rosy, with congestion pricing finally coming to fruition, and safety, reliability and accessibility improvements the cornerstones of the ambitious plan. The pandemic and the last President both put a damper on its expedient review and implementation, but at long last there is light at the end of the Midtown Tunnel. However, even before the anticipated funding begins to come to the MTA in 2023, it is essential that the agency rethink its ambitious plans in the context of resiliency and the larger ecosystem in which we live. We look forward to the MTA's report on Hurricane Ida response, but even in advance of it call for a rethink of how projects are prioritized and how they are interconnected with the rest of the region's infrastructure. This includes looking at projects that still remain from Superstorm Sandy and assessing any causes for delay and whether they need to be reconfigured to take into consideration water inundation from above, in addition to water from below and storm surge. Riders who are already fed up with recent service disruptions from storms, power outages, and signal malfunctions will only feel further alienated by an MTA that raises fares but does not address the root causes of the problem.

The Comptroller's report stated that, "Concerns over full and timely funding of the capital program, and the likelihood of more frequent inclement weather events, also suggest that the MTA should reassess its capital needs and publish a new needs assessment, which was deferred in 2018. Prioritization of the capital program requires an accurate analysis of the areas that are not in a state of good repair in order to keep the system operating effectively, ensure rider safety and protect against future emergencies."

That calls for a more thorough big picture look at the capital program through the lens of the Twenty Year Needs Assessment – which will be undertaken for the 2025-2029 plan, but still a worthwhile and necessary exercise for the 20-24 plan, particularly as the MTA may need to reconsider what gets done, when. The TYN must be undertaken in a transparent and inclusive manner.

As the MTA discusses its fiscal needs, we cringe when we hear, "we don't need congestion pricing money right now, but..." Too many people only hear the first part of that short-sighted sentence. Since those funds have been used for project planning purposes they are certainly needed, and riders want to be assured that they will be getting new train cars and buses, a faster and safer ride, more elevators and escalators, and face fewer delays.

In any scenario, congestion pricing will be part of the MTA's funding solution. It is critical to ensuring the solvency of the system and funding the improvements that will create jobs and help bring riders back on board.

Other funding sources also contribute to the capital plan, including $3 billion each from the city and the state. In its recent budget presentation, the MTA showed that none of those funds had been accounted for, yet the Comptroller's report shows that the city's commitment plan has appropriated $1.5 of its commitment thus far, while the state has appropriated the full amount. It's time to move the money so it doesn't disappear. The MTA cannot rely on debt service and deficit financing, which will rob from the long-term capital improvements it needs to keep the system safe and reliable.

**Transformation**

Transformation is slated to save several hundred million dollars a year but was put on pause as the MTA correctly focused its energy on keeping the system running and providing whatever resources it needed to protect riders and workers. We understand that work has continued in the background but haven't heard much about the successes or shortcomings of the Transformation Plan for over a year. In the interest of transparency, regular reports should be made to the MTA Board and to elected officials and the public about implementation efforts. We know that not all positions are equal to the riding public, so reporting in the context of operational versus non-operational personnel changes are key to determining if the reductions are coming from planned actions or are incidental and will create long-term inconveniences to riders and disruptions to the system. A law of unintended consequences would have the Human Resources departments from the operating agencies merges and staff size reduced, only to not have enough people to onboard new hires that it has become clear are needed. Are there internal audits being conducted that look at the impacts of these actions?

Our main concern with the AlixPartners report when it came out was that the word "rider" did not appear once. The effects on riders of actions in the Transformation Plan must be in the forefront of any decisions.

**Transparency**

While it is improving somewhat in its efforts to be more transparent, the MTA still has a long way to go. We are hopeful that the culture shift in Albany will lead to more open data sharing. To that end, we support Senator Comrie's MTA Open Data Act and the release of data in a format that is easily accessible, understandable and usable by the public. Something as simple as combining its websites so there is one instead of two would be a start, as would improving the Capital Program dashboards; resiliency and Sandy project updates; and day-by-day ridership numbers to be specific to line and time-of-day. We would also like to see the oft touted but never before seen McKinsey Report. It is the basis for so many decisions and discussions but has not been released. In addition, to engender trust with the public, the Traffic Mobility Review Board must abide by the Open Meetings Law as it discusses exemptions for congestion pricing and setting tolling rates. Similarly, the Capital Program Review Board must be called on to meet publicly before the next capital plan is adopted and as required by statute.

**The Future**

The MTA is the economic engine of the region, and for many of us, it's the only engine we have to get around. It is critical that its funding situation become more stable so that we don't always have to rely on Washington to bail us out. The pandemic was clearly an exceptional situation, but the conversation was otherwise the same. Finding recurring and sustainable sources of operating revenue to maintain service and keep fares as low as possible is essential. Prioritizing the capital plan through a lens of resilience and climate change will ensure we can continue to get around, even when the creek does rise. Building and rebuilding trust – so that riders get back on board and the agency is an open book – are critical for the future of the MTA, the region, and everyday New Yorkers.