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**Testimony of MTA President Patrick Foye
Joint Legislative Budget Hearing on Transportation
Wednesday, January 30, 2019 at 9:30 a.m.**

Good morning, Chairs Krueger, Weinstein, Paulin, Comrie, Kennedy, Magnarelli, and members of the Senate and Assembly. I'm MTA President Patrick Foye and these are my colleagues: MTA Managing Director Ronnie Hakim, Chief Development Officer Janno Lieber, and Chief Financial Officer Robert Foran. Thank you for holding this hearing, and for inviting us to discuss Governor Cuomo's 2019 Executive Budget and its impact on the MTA.

Senators and Assembly Members, "the MTA faces its greatest challenge in decades." These are the words of New York State Comptroller Tom DiNapoli in his October 2018 report on the financial outlook of the MTA. The report paints a troubling picture of massive and looming fiscal gaps – rapidly approaching – in the MTA's operating and capital budgets. According to the report, "Without support from the MTA's funding partners, fares and tolls could rise faster than planned or the system will further deteriorate." This analysis is spot-on, as I'll describe later in my testimony. We are clearly at a historic crossroads, where desperately-needed funding must be secured to ensure the future of mass transit in New York.

As a start, the MTA and its customers need congestion pricing – that's critical. If congestion pricing were to fail this session, the MTA would need to raise fares and tolls by about 27 percent by the end of our next Capital Program in 2024. That means in the span of about five years, the base fare for subways and buses would increase from \$2.75 to approximately \$3.50, while the cost of a monthly MetroCard would jump from \$121 to approximately \$154. This is necessary simply to bridge upcoming gaps in our operating and capital budgets. Beyond congestion pricing – and in addition to continued federal funding to the MTA – we need enhanced funding from city and state sources, split between the two partners. Currently, the city has not yet agreed to pay. Therefore similar to last year's funding for the Subway Action Plan, after congestion pricing revenues, we request the legislature require the remaining capital needs of New York City Transit be funded evenly between the state and the city.

A fiscal crisis is hardly the only problem we face. Just as urgent, the MTA must be reformed in a fundamental way – so we can continue to improve service for the millions who rely on our network each and every day. According to the Metropolitan Transportation Sustainability Advisory Workgroup report issued in December, "The MTA has struggled and largely failed to meet expectations of the tristate region for dependable, modern and accessible transit." All of us here today agree. And although we're seeing promising, concrete indications that our work is paying off and that service is clearly improving, much more needs to be done. We must continue our efforts to reform the agency.

So, with that as a backdrop, this morning, we would like to first discuss in more detail the substantial looming operating deficits we will face beginning in 2020. Second, we will address the need for congestion pricing and additional recurring or sustainable revenue to fund our 2020-2024 Capital Program, including New York City Transit's *Fast Forward* plan, the Long Island Rail Road's *Forward* plan, and Metro-North's *Way Ahead*. Third, we will discuss actions we are already taking and the steps we will take to reform the MTA.

On the operating side, since 2017, passenger revenues and economically-sensitive subsidies have softened, resulting in an average revenue loss of more than \$350 million a year. To make matters worse, we lost about \$215 million last year to fare evasion – a trend which increased significantly from 2017. And while we applaud the Governor and the Legislature's work to implement the first phase of

congestion pricing for for-hire vehicles, we're losing about \$30 million a month due to the on-going legal challenge.

As a result, we project significant out-year operating budget deficits of \$510 million as early as next year, growing to nearly \$1 billion by 2022. These numbers assume that we will implement critically important bi-annual fare and toll increases this year and again in 2021. The 2019 fare increase would provide the MTA with about \$316 million on an annual basis. The 2021 increase – together with the 2019 increase – would provide us with about \$646 million a year. If we do not raise fares and tolls in 2019 and 2021, out-year deficits will rise to \$836 million next year and \$1.6 billion by 2022. These colossal deficits must be closed through new funding sources and continued cost cutting, which I will discuss in more detail in a moment.

Absent new funding, our only options will be some combination of service cuts, significant additional fare and toll increases beyond those currently being discussed by the MTA Board, as well as a reduction in our workforce. The MTA was downgraded twice last year by S&P, and put on negative outlook by Moody's. Just last week, another credit rating agency, Kroll, revised its outlook to negative due to a growing concern over the MTA's tightening financial position, and its critical need for new, sustainable revenue streams.

That's why I'd like to take a moment to thank Governor Cuomo for proposing congestion pricing in his Executive Budget as a mechanism to generate approximately \$15 billion for the next MTA Capital Program. This stream of reliable, recurring revenue could be a critical component of our next Capital Program, covering capital projects for New York City Transit, the Long Island Rail Road, and Metro-North. But it is not enough. Given our aging infrastructure and a need to re-signal most of our system – which is the single most important step we can take to bring our subway system into the modern age – we anticipate needing additional funds to support our next Capital Program, which at this point we project to be at least \$41 billion, as cited by the Metropolitan Transportation Sustainability Advisory Workgroup. This figure excludes MTA Bridges and Tunnels, which is self-funding.

We realize, however, that improving service is about much more than increased funding. We need to change the way we do business. Because let's admit it ... We know you're hearing it from your constituents because we're hearing it from our customers: The state of the system is currently unacceptable, to us and to the MTA Board.

But as I think you know, the MTA has a new leadership team in place. We are taking action to turn our system around, and we are making real progress. You can see this progress reflected in our latest on-time subway performance statistics, which have improved month after month after month. You can see the progress in on-time delivery of transformational projects like LIRR Double Track, which finished 14 months early. And you can see the progress in the execution of our Subway Action Plan, through which we've:

- Repaired or rebuilt more than 1,700 signal components;
- Made maintenance practices more efficient, so cars can be put back into service more quickly; and
- Installed Continuous Welded Rail throughout our entire system – all while doubling the amount of productive "wrench time" delivered by our workforce during overnight outages.

We are making similar gains through our new "SPEED Unit" and Save Safe Seconds campaign, both created last year to safely reduce travel time for subway customers. In total, since the summer of 2018, a safety committee has approved increases to subway speed limits at 68 locations and is implementing them. The team has also identified approximately 320 inaccurate timer signals and is recalibrating them. In this way, we are speeding up subway service for millions of customers, often at

little or no cost. In addition as you are all aware we are moving forward with a new L-Train project that will save hundreds of thousands of riders from the burden of a full shutdown.

The Executive Budget includes the final installment of the State's historic \$8.6 billion commitment to our current Capital Program. And we thank the Governor, all of you in the Legislature, and the City of New York for that continued critical support. In addition to the largest-ever State commitment to our current Capital Program, a share of its funding comes from our own efficiencies, as we continue the most aggressive cost-cutting in the MTA's history. Over the past decade, we have implemented savings programs that have reduced our annual operating expenses on an on-going basis by more than \$2 billion, and that number is growing. We're on pace to achieve an additional \$400 million in annual savings by the end of 2022. Scores of budget-tightening initiatives have allowed us to achieve these cost-savings, including:

- administrative staff reductions of 20 percent at headquarters and 15 percent at our operating agencies in 2010;
- implementation of a company-wide hiring freeze in 2018 for all non-essential employees; and
- consolidating departments to streamline operations for both efficiency and effectiveness.

But it's still not enough. We are fast-approaching a point of diminishing returns with this approach, so we are looking toward major, structural reforms, including but not limited to: creating efficiencies through restructuring; dramatically reducing consultant expenses; and eliminating duplicative functions to achieve savings that had not been available to us before.

Board and key staff have also begun implementing strategies to revolutionize the way we handle procurements, to increase competition and deliver projects more efficiently and effectively – better, faster, and cheaper. As a result, we're seeing far more projects delivered on-time and on budget – or on schedule to be delivered on-time and on budget – along with hundreds of millions of dollars in savings. We have much more to do in all these areas.

Senators and Assembly Members, it's also important to remember that the MTA's transit network is the economic engine that powers New York. Every single day – on our subways and buses, the Long Island Rail Road, and Metro-North – we move 8.6 million people across a service region spanning 5,000 square miles. But the MTA creates economic growth far beyond the metropolitan region. Our Capital Program creates hundreds of thousands of jobs throughout New York State, and you can see all of this economic activity with your own eyes in places like Plattsburgh, where Bombardier builds subway cars, in Jamestown, where New Flyer is building buses, or in Yonkers, where Kawasaki is building railcars. In short, the MTA network is more than essential to our region, it is critical to the economy of our state.

Our challenge is great, but our mission is greater: The full-scale modernization of New York City's subway and bus system, the commuter railroads on Long Island and the Hudson Valley, and the MTA Bridges & Tunnels network. Chairs Krueger and Weinstein, we appreciate the support you and your colleagues have given the MTA in the past. In this critical time, we need the support of the Legislature now more than ever. Thank you for your time today. Now, we're happy to answer any questions you may have.



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