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MTA finances: a looming train wreck

All New Yorkers must acknowledge their collective responsibility for the system.

By Carol Kellermann
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The financial condition of the Metropolitan Transportation Authority is again a hot topic. In July, the MTA board announced the restoration of some bus service and postponement of the previously budgeted 7.5% fare increase, thanks to an unexpected cash surplus of $47 million in 2012. In August, a state court judge invalidated the payroll mobility tax and other revenue sources, threatening the MTA with the loss of $1.8 billion annually in revenue if the decision is sustained. Then, this month, MTA Chairman and Chief Executive Joseph Lhota told a *Crain's* Breakfast Forum that the postponed fare increases could include elimination of discounts for multiride cards.

Although some might get mixed signals from these developments, nobody should doubt that the MTA is in serious financial trouble. Everyone—commuters, MTA employees, city and suburban residents, and elected officials—must face reality and contribute in some way to a long-term solution to the MTA's fiscal problems. And periodic, predictable fare increases along with continued belt-tightening, including a trimmed service schedule, are unavoidable elements of a sensible solution.

The "surplus" announced for 2012 is based on an accounting approach that focuses only on immediate cash needs. By this calculation, the MTA has a surplus this year because its projected cash receipts are modestly ahead of projections made at the start of the year. But current-year obligations to be paid after Dec. 31 and the need to keep up with capital repair and replacement needs, known as depreciation, are left out.

Using the more appropriate accounting principles followed in the MTA's audited financial statements, the agency has an estimated deficit of $2.7 billion in the current year and faces even larger deficits in the next four years. Indeed, it has had a surplus only once in the past 20 years (in 1996, after a large fare increase). Deficits exceeded $2.5 billion annually from 2008 to 2011, sums that are equal to at least 16% of annual expenses, and they continue to be large despite enactment in 2009 of the now-threatened payroll tax.

The MTA needs the revenue from the planned 2013 and 2015 fare hikes; delaying them, as announced, from January to March will worsen the 2013 deficit by $67 million and the 2015 deficit by $69 million, for a combined loss of $136 million. While we all may welcome service restorations, the $29.5 million going for this purpose should be better justified. The 2010 service cuts were selected based on analysis of ridership patterns and services that were little used. Overall bus ridership has not been growing enough to warrant major service restorations; instead, adjustments can be made to deploy buses in accord with shifting usage patterns.

It's only natural to complain about taxes, fare hikes and service cuts, but the alternatives can be far worse. The economically devastating consequences of a deteriorating transit system loom if all New Yorkers do not acknowledge our collective responsibility for the system on which our jobs and family incomes depend.
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