

CITIZENS BUDGET COMMISSION

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CBC STATEMENT ON THE MTA'S CAPITAL FUNDING PROPOSAL

New York, NY – July 27, 2011 – The Citizens Budget Commission (CBC) today issued the following statement by CBC President Carol Kellermann:

The capital funding proposal submitted to the MTA Board today is the first serious effort to address a critical problem. For nearly two years the MTA has had insufficient funds to pay for the projects in the last three years of its 2010-2014 capital program. The \$9.6 billion hole means without some action there is no money to finish the East Side Access project that connects the Long Island Railroad to Grand Central terminal, nor to finish the Second Avenue subway running from 96th to 63rd Street, nor to do much work necessary to a state of good repair.

The new proposal is better than doing nothing to meet the essential infrastructure needs of mass transit. But it has a critical flaw – it proposes to borrow billions without presenting a corresponding plan for new revenues to match the increased long-run debt service burden. In the coming months, as the proposal is debated, this gap should be meaningfully addressed by our elected representatives. A major plus to the proposal is the commitment to reduce planned capital spending by \$2 billion in ways that can deliver the needed projects at a lower cost. Savings will come from cutting administrative costs, working with contractors to enable them to get access to tracks more regularly and predictably, and taking other efficiency steps. If achieved, these savings will represent a significant improvement in the way the MTA does business – but they still leave a \$7.6 billion hole in the capital program that will grow to \$9.0 billion as previously anticipated federal aid is reduced.

It is appropriate to borrow for capital investments; the problem with the MTA plan is that it does not increase revenues to provide the money eventually needed to pay back all the loans and bonds. The proposal keeps debt service low in the next three years, but new revenue must be found in this period and much larger sums will be needed later to cover the mushrooming debt service in the out years. The Plan must responsibly address how long-term debt service requirements will be covered.

The MTA Board, in consultation with the Governor and legislative leaders, should develop a revised financing plan. It should rely on prudent forms of borrowing and identify adequate revenues to cover future debt service. The best medicine for the MTA's fiscal woes is new revenue from sources such as accelerated and larger fare and toll increases, increases in auto user fees such as vehicle registration and drivers' license fees, and a better version of the much maligned efforts to charge for auto access to central Manhattan. Of course existing sources must be retained and optimized. A viable strategy for maintaining and enhancing mass transit inevitably requires that New Yorkers pay more in some way. Our political leaders should be honest about that fact and address the problem rather than temporarily dodging it.

Founded in 1932, the Citizens Budget Commission is a nonpartisan, nonprofit civic organization devoted to influencing constructive change in the finances and services of New York State and New York City governments.