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THE MTA: WHO'LL PAY?

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THE Ravitch Commission report on the MTA's finances, due out by Friday, could have a major impact on the quality of mass transit in the metro area - and on who pays for it. In fairness, responsibility for that funding should be divided among riders, car and truck drivers, and the general public (in the form of tax subsidies) at about 50/25/25 - a formula that suggests that any new MTA funds should come from tolls and reasonable fare increases, *not* big tax hikes.

The governor charged the commission, chaired by Richard Ravitch, with recommending strategies for funding the MTA over the next 10 years. And the MTA Board must adopt a balanced budget for 2009 at its Dec. 17 meeting - even as it confronts serious and growing fiscal woes.

When Ravitch was appointed this spring, the MTA faced a 2009 cash shortfall of $1.1 billion, growing to $2.3 billion in 2012. Those figures have already risen to $1.2 billion and $2.7 billion.

Without new funding, the MTA anticipates what its chief, Elliot Sander, calls "draconian" fare hikes and service cuts next year - which would still leave it with deficits for the years after.

What new funding sources will Ravitch propose - and who'll pay? The responsibility should be shared by everyone who benefits from the transit system - including many who *don't* ride the subway, bus or train. Drivers benefit from reduced traffic, and the whole region benefits from the efficient labor market that mass transit makes possible.

Here's an appropriate balance among these groups:

* *Fares should cover half of mass-transit operating costs.* Riders get the greatest benefit, so 50 percent is an appropriate (if somewhat arbitrary) share for them. The level is slightly higher than what the MTA's charged in past years, and at the high end of the distribution among US mass transit systems - but well below the figure in London and some other large systems.

Equally important: We must link fares to costs. This creates an incentive for efficiency: Riders would understand that each collective-bargaining settlement and each bond issue means a corresponding fare hike - creating pressure on management to bargain hard on the public's behalf and to plan capital investments wisely. This would also depoliticize fare-hike decisions, giving them predictability and a clear rationale.

* *Drivers should pay a quarter of the cost of mass transit, in addition to the full cost of MTA bridge and tunnel operations.* Drivers already help subsidize mass transit via tolls, as well as dedicated gasoline and petroleum taxes. But combined revenues from drivers this year fall short of the 25 percent target, covering only about 13 percent of mass-transit costs.

* A *general tax subsidy should cover the remaining 25 percent.* This burden should be borne by residents and/or businesses regionally or statewide - to reflect the extraordinary benefit that the MTA provides to the economy, linking jobs and workers via its subways, buses and commuter railroads.

In 2008, tax subsidies (in the form of various dedicated taxes, such as real-estate transaction and retail-sales taxes) plus state and local government appropriations exceeded that 25 percent level. (Indeed, they were nearly a third, thanks largely to an unusual spike in real-estate transaction taxes.)

Looking ahead, this balance of funding would dictate a moderate rise in fares, but the biggest source of new money would come from drivers.

Fares this year will cover about 46 percent of the cost of subways, buses and commuter trains. To cover 50 percent, fares would have to increase about 15 percent in 2009, with a cumulative rise by 2012 of about 20 percent, putting a monthly Metrocard at $97.

Getting a fair share from drivers would require raising about $1.3 billion more from them in 2009 and about $1.9 billion more in 2012. Merely hiking existing tolls won't do the job - new sources will be needed, too. Possibilities include: a revised congestion-pricing plan or tolls on East River bridges; higher fuel taxes, and increased fees for drivers licenses and/or auto registration fees.

The Ravitch Commission does *not* need to propose major new taxes dedicated to the MTA, such as a payroll tax or increased sales tax. Such subsidies are already at a reasonable level.

Instituting an equitable balance of 50-25-25 would ensure fair, adequate and predictable MTA revenues, and create strong incentives for efficiencies - forcing MTA managers to hold down costs. And putting the brakes on runaway costs could be the greatest benefit for riders.

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