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Public Comment on Proposed Changes to the Metropolitan Transportation Authority's Fares and Tolls

Submitted to the Metropolitan Transportation Authority

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Good morning. I am Andrew Rein, President of the Citizens Budget Commission (CBC), a nonpartisan, nonprofit think tank and watchdog dedicated to constructive change in the services, finances, and policies of New York City and New York State governments, and the Metropolitan Transportation Authority (MTA).

We support the proposed increase in fares and tolls since it is essential for the MTA's fiscal health and wholly appropriate for riders and drivers to pay a reasonable portion of costs.

These increases are a critical component of the State rescue plan. But make no mistake; while the plan provides significant additional resources, it does not resolve all the MTA's operating budget problems. The MTA needs to do more to become stable, efficient, and flexible enough to accommodate future ridership patterns, which are uncertain.

Assuming the tentative Transport Workers Union (TWU) pattern is adopted system-wide, by 2026 annual labor costs will be roughly $330 million more than budgeted. With these added costs, we project the MTA's operating expenses will increase at 3.3 percent per year from 2023 to 2026.

The MTA's decision to incrementally increase fare and toll revenue by 4 percent biennially starting in 2009 was smart fiscal policy. It provided necessary operating revenue growth, reasonable fare and toll increases, all while mitigating the recurring fiscal crises and political battles of the past.

Planned periodic increases should continue; however, the math is clear. Increasing fare and toll revenue roughly 2 percent a year when expenses are increasing 3.3 percent a year widens the MTA's budget gap. The MTA should revisit the 4 percent yield to see if it is sufficient for ongoing fiscal stability.

Not only would increasing the 4 percent level perhaps be prudent, but it also would support a reasonable apportionment of the MTA's costs. CBC has advocated the MTA's mass transit costs be shared 50-25-25—half from riders, one-quarter from taxpayers, and the balance from motorists as an economically efficient way to generate revenue and incentivize drivers to switch to public transportation. CBC finds the 2023 budget is funded roughly 32 percent from fares, 57 percent from taxes and subsidies, and 11 percent from motorist cross-subsidies.

Some question whether fares should increase given the economic hardship experienced by some of our neighbors. For those in need, CBC enthusiastically supports Fair Fares and considers a well-marketed program to be a critical part of the MTA financial ecosystem.

Still, New Yorkers should know that MTA fares are a good deal when you consider New Yorkers' overall cost of living compared to other regions. Due to widespread transit, New Yorkers rely much less on cars, which are much more expensive. Low transportation costs increase affordability by partly offsetting high housing costs. CBC found that among 20 peer cities, New York ranked 11th in a household's combined housing and transportation costs and is relatively more affordable for lower income households. New York ranked 3rd most affordable for an individual living at the poverty line, 6th most affordable for a single-parent family, and 8th most affordable for a retired couple.

While we support this fare and toll increase and recommend reconsidering the increase level going forward, New York's future will not be stable and prosperous if the only solutions to the MTA's challenges are to continuously raise revenues. New Yorkers should not pay one penny more than is required to provide high quality services.

Achieving this relies on four actions. First, the MTA should be held accountable for the quality and reliability of its service, especially given the massive influx of new resources. Second, the MTA should be supported in reducing fare evasion. Just consider this: the increase in fare evasion alone equals the cost of two rounds of fare and toll increases. Third, the MTA's capital efforts should focus on ensuring its equipment and facilities are brought to, and kept in, a state of good repair and appropriately modernized before spending precious resources on expansion.

Finally, while we hope the tentative agreement with the TWU includes more actions to increase efficiency that offset costs than has been publicly reported, much more can and should be done.

Within and even after a ratified agreement, the MTA and union leadership should implement changes to increase productivity and flexibility, including expanding One-Person Train Operation, increasing worker availability, and modifying shift parameters and job duties, among others. This is not about making employees work harder; it is about collaborating to work smarter. That way all stakeholders contribute to a strong MTA that supports the region's economy and New Yorkers' quality of life.