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December 5, 2008

Gene Russianoff
New York Public Interest Research Group
9 Murray Street
New York, N.Y. 10007

Dear Mr. ^{Gene}Russianoff:

As a follow-up to our letter of December 3, 2008, the Independent Budget Office has made additional estimates of the impact of alternative fare and toll proposals for the MTA.

IBO estimates that the 5 percent fare and toll revenue increase proposed by the MTA for 2011 would require an increase of around 6 percent in the average fare and toll paid. The impact on average fares and tolls, and the prices of unlimited-ride MetroCards in 2011 is shown below under the two scenarios reported in our initial letter. The first scenario assumes a 28 percent increase in the average fare and toll in order to yield a 23 percent increase in revenues implemented beginning in 2009. The second scenario assumes that the increase in average fares and tolls beginning in 2009 is 32 percent which—based on the MTA’s revenue and expense projections—would be needed to also avoid the service cuts that were proposed in the November 2008 plan.

Impact of an Additional Fare Increase of 6 Percent (5 Percent Revenue Increase) in 2011 on Average Fares and Tolls					
MTA Subsidiary	Average Fare or Toll Paid 2008	With 28% increase in 2009	With Additional 6% Increase in 2011	With 32% Increase in 2009	With Additional 6% Increase in 2011
NYC Transit/ SI Railway	\$1.34	\$1.72	\$1.82	\$1.77	\$1.87
MTA Bus	\$1.28	\$1.64	\$1.74	\$1.69	\$1.80
MTA Bridges and Tunnels	\$4.32	\$5.52	\$5.85	\$5.70	\$6.04
Long Island Rail Road	\$5.71	\$7.31	\$7.74	\$7.53	\$7.99
Metro-North Railway	\$6.18	\$7.91	\$8.39	\$8.16	\$8.65
Long Island Bus	\$1.24	\$1.59	\$1.69	\$1.64	\$1.74
NOTE: Prices rounded to the nearest half-dollar.					
SOURCES: IBO; Metropolitan Transportation Authority					

Impact of an Additional Fare Increase of 6 Percent (5 Percent Revenue Increase) in 2011 on the Prices of Unlimited-Ride MetroCards					
	Current	With 28% increase in 2009	With Additional 6% Increase in 2011	With 32% Increase in 2009	With Additional 6% Increase in 2011
1-day	\$7.50	\$9.50	\$10.00	\$10.00	\$10.50
7-day	\$25.00	\$32.00	\$34.00	\$33.00	\$35.00
14-day	\$47.00	\$60.00	\$64.00	\$62.00	\$66.00
30-day	\$81.00	\$104.00	\$110.00	\$107.00	\$113.00
NOTE: Prices rounded to the nearest half-dollar.					
SOURCES: IBO; Metropolitan Transportation Authority					

In our previous letter we provided an estimate of the budgetary impact of an 8 percent increase in fare and toll revenues beginning in 2009. IBO estimates that this revenue increase would require the average fare to go up by around 10 percent. Applying a 10 percent increase across the board to fares and tolls would give the following results:

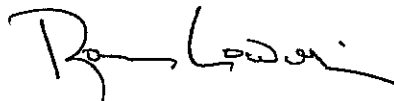
Impact of a 10 Percent Fare and Toll Increase (8 Percent Revenue Increase) in 2009 on Average Fares and Tolls		
MTA Subsidiary	Average Fare or Toll Paid 2008	With 10% Increase in 2009
NYC Transit/ SI Railway	\$1.34	\$1.47
MTA Bus	\$1.28	\$1.41
MTA Bridges and Tunnels	\$4.32	\$4.75
Long Island Rail Road	\$5.71	\$6.28
Metro-North Railway	\$6.18	\$6.80
Long Island Bus	\$1.24	\$1.37
NOTE: Prices rounded to the nearest half-dollar.		
SOURCES: IBO; Metropolitan Transportation Authority		

Impact of a 10 Percent Fare and Toll Increase (8 Percent Revenue Increase) in 2009 on the Prices of Unlimited-Ride MetroCards		
	Current	With 10% Increase in 2009
1-day	\$7.50	\$8.50
7-day	\$25.00	\$27.50
14-day	\$47.00	\$51.50
30-day	\$81.00	\$89.00
NOTE: Prices rounded to the nearest half-dollar.		
SOURCES: IBO; Metropolitan Transportation Authority		

Any fare hike implemented in 2009 is likely to include an increase in the subway and bus base fare, currently \$2.00. As noted in our previous letter, the 23 percent increase in fare revenue proposed by the MTA in its November financial plan would require an increase of around 28 percent in the average fare. Rescinding the proposed service cuts and raising fares and tolls to compensate for the higher expenses would require an increase of around 32 percent in the average fare. Applying these rates of increase to the \$2.00 base fare gives a new base fare of \$2.56 or \$2.64, respectively. However, the MTA has indicated that fares can only be increased in increments of 25 cents, due to the characteristics of MetroCard vending machines. For this reason, IBO expects that if average fares are increased sufficiently to yield a 23 percent increase in revenues, the base fare would most likely be raised to \$2.50.

If you have further questions, or if you require further information, please feel free to contact me or Alan Treffeisen, Senior Budget and Policy Analyst for Transportation.

Sincerely,



Ronnie Lowenstein
Director