



NYPIRG's

Straphangers Campaign

Transit Fares

the facts

The Metropolitan Transportation Authority projects a \$1.2 billion deficit for its \$10 billion budget for 2009. The agency is planning to fill this hole with a fare increase that will raise \$670 million, as well as \$177 million in annual service, maintenance, station personnel and cleaning cuts, along with administrative savings. This fact sheet explains the MTA's financial woes and why it is fair to ask those who benefit from transit – such as drivers and businesses – and not just transit riders, to solve them.

Why does the MTA have such a big deficit?

There are three key reasons. First, the MTA has been forced to borrow a huge sum – \$27 billion – to rebuild, including buying new cars and buses, rehabilitating stations and renewing its infrastructure, such as track and signals. Now the “credit card bill” is due. By 2012, interest payments will eat up \$2 billion annually. Second, subsidies from the government have been stagnant. For example, in 1995 the City and the State cut their support for MTA New York City Transit to move 550,000 students annually. Third, the poor economy has made the agency's financial problems worse.

Is the MTA telling the truth about their finances?

The MTA's deficit is all too real. The Straphangers Campaign sued the MTA in 2003, charging that it was misleading the public about its finances. In the wake of that controversy, the MTA revamped its reporting, including issuing a preliminary budget well in advance of final approval. In the period between 2003 and 2007, the MTA ran substantial surpluses, largely due to revenues from taxes on a booming real estate market. This money has been used for several legitimate purposes, including rolling over the funds to help meet the agency's financial needs and to pay down obligations, such as pension liabilities.

How is the MTA's funded now?

Right now, about half the cost of running the Metropolitan Transportation Authority is covered by fares. That currently is about \$4.2 billion dollars, or some 52% of operating costs. A major contribution – about \$3.1 billion in 2008 – comes from taxes dedicated to transit from metropolitan-area drivers, who pay toll surpluses and gas taxes; from businesses, who contribute through the corporate income tax; from owners selling their properties, through several real estate taxes; and from consumers, through a portion of the sales tax. All of the contributing groups gain from a network that moves more than nine million employees, residents, customers, tourists and students each workday, as well as improving air quality and promoting energy efficiency.

How has this dedicated funding system worked?

Take, for example, the \$5.4 billion sale of Stuyvesant Town and Peter Cooper Village to Tishman Speyer Properties in 2006. It netted the MTA \$52 million in real estate taxes. That was fair, since the value of those 110 buildings is directly tied to the nearby L and 6 and the M15 on 1st and 2nd Avenues.

Is this funding consensus working?

No. If the MTA's current budget plans are approved, the riders' share of the cost of running the subways and buses will go through the roof. The subway farebox operating ratio – the percentage of costs that riders bear for oper-

The MTA is now the fifth largest debtor in the United States, behind only California, Massachusetts and New York State and City. By 2012, the MTA's interest payments will eat up \$2 billion annually.

ating the transit system – would go from 69% in 2008 to an astonishing 83% in 2009. For buses, it would rise from 39% in 2008 to 48% in 2009. We are being asked to pay much higher fares for vastly reduced service to make up hundreds of millions of dollars that used to come from the dedicated transit taxes. In an unsettled economy, these taxes are not raising enough revenue.

Is there a fair solution?

Yes. A more modest fare increase without terrible service cuts is possible if ways can be found where every constituency shares the burden fairly, including corporations, drivers, and property sellers. Riders should not be asked to bail out corporations or those selling properties or drivers. There are several options, from new tolls to corporate taxes. A commission appointed by Governor Paterson and headed by former MTA Chairman Richard Ravitch has proposed ideas to fund the MTA's operating and capital needs over the next decade. These include a new downstate payroll tax and tolling East River Bridges.

What's at stake?

Back in the 1970's, poorly maintained subways, buses and commuter lines were both a cause and a symbol of the region's sluggish economy and tough conditions. In 2008, this network is an engine that can keep New York livable. That requires all those who gain from our transit system to help to keep it moving forward.

THE RIDERS' BURDEN

% costs NYC subway riders pay in 2008: 69%

% Costs NYC subway riders would pay in 2009: 83%

National average (2006): 37%

Boston: 29%

Chicago 43%

Philadelphia: 37%

San Francisco: 51%

Washington, D.C.: 40%

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