



NYPIRG's

Straphangers Campaign

Transit Fares 2011

the facts

The Metropolitan Transportation Authority projects a \$1 billion deficit for its \$12 billion budget for 2011. The agency is proposing to fill its hole with a fare increase that will raise \$413 million, as well as \$382 million in maintenance, station personnel and cleaning cuts and administrative savings. The Straphangers Campaign is greatly concerned about the fairness and impact of the proposed fare hikes for 2011 on city subway and bus riders. Riders are being asked to pay more for less, given the tens of millions of dollars in service cuts the MTA put into effect in late June. The combination of fare increases – the fare just went up in 2008 and 2009 – and service cuts mean that riders will end up paying a higher share of the costs of running the transit system.

This fact sheet describes 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 poor economy has resulted in hundreds of millions of dollars less in revenues from dedicated transit taxes on drivers, corporations, employers, consumers and real estate sellers. Second, the state legislature cut the MTA by \$143 million in December 2009. And third, 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. The payments on that borrowed money will be more than \$2 billion in 2011.

Wasn't a fare increase in 2011 part of a deal to fund the MTA? Yes, but that deal has fallen apart. It called for beneficiaries of transit to make new contributions to the MTA, including riders, drivers and employers. Like many other groups, the Straphangers Campaign supported a fare hike in 2009 because it was part of that deal. But since then, riders have been hit with the worst service cuts in decades; Albany has cut \$143 million from the MTA; and a sharp downturn in the economy has lost hundreds of millions in revenues that come from dedicated transit taxes.

Is the MTA telling the truth about their finances? The MTA's deficit is all too real, estimated at a stunning \$2.5 billion over the next four years. 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 months in advance of final approval. The MTA has run surpluses in some past years, largely due to a booming real estate market. This money has been used for such purposes as meeting the agency's future financial needs. In 2010 and 2011, the MTA is also proceeding with substantial cuts to administration, reducing overtime, renegotiating contracts with vendors and consolidating such services as legal, human resources and accounting.

The MTA is the fifth largest public debtor in the United States, behind only California, Massachusetts and New York State and City. By 2011, the MTA's interest payments will eat up \$2 billion annually.¹

How is the MTA's funded now? Right now, about half the cost of running MTA New York City Transit's \$6 billion-plus annual budget is covered by fares. A major contribution 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.

National Transit Database: Percent of Total Operating Funds from Fares:²

National average, top 50 agencies: 34%
New York: 42%*
Washington, D.C.: 40%
Chicago: 39%
Philadelphia: 39%
Boston: 35%
Los Angeles: 26%

*Percentage is for MTA New York City Transit subways and buses.

Are riders paying a fair share? No, they are paying more than a fair share. 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, according to the agency's own numbers. The fare box operating ratio – the percentage of costs that riders bear for operating the transit system – would go to 55% in 2011. We will be asked to pay higher fares for vastly reduced service to make up hundreds of millions of dollars that used to come from the dedicated transit taxes. The burden – perhaps permanently – is shifting to transit riders from drivers, corporations, employers and real estate sellers. MTA New York City Transit has one of the highest burdens on its riders of major combined bus and subway systems around the country. That's according to the National Transit Database, which produces different, but still higher, numbers on riders' burden of picking up transit expenses. (See box.)

Is it realistic to expect help from government in 2011? That's a tough question. In 2010, we are still waiting to hear from Washington D.C. about the fate of legislation calling for \$2 billion in emergency transit operating aid nation-wide. And we got cuts instead of help from Albany and faced a budget crunch at City Hall. Governments are in financial turmoil, which is likely to get worse in 2011.

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 2010, 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. These issues will be debated over the months to come. To make sure that the discussion of various fare options is robust, the MTA should provide the public with the data on how riders use MetroCards now and how that supports a variety of possible fare policies.

1 Governor David A. Paterson, Address at the Association for a Better New York Breakfast (April 18, 2008).

2 Transit Profile: Top 50 Agencies for the 2008 Report Year, National Transit Database, Federal Transit Administration. <http://www.ntd-program.gov/ntdprogram/data.htm>

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