



FROM: Regional Plan Association
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FOR IMMEDIATE RELEASE: Tuesday, December 15, 2009

RPA: RAIDING MTA CAPITAL DOLLARS TO PLUG OPERATING DEFICIT IS THE WRONG WAY TO GO

Regional Plan Association opposes the use of current capital dollars to plug the Metropolitan Transportation Authority's estimated \$383 million gap in its proposed 2010 budget.

Why?

1- There are specific problems with bleeding particular sources of capital dollars:

- a. Pay as you go: Currently the MTA has \$50 m in its operating budget for capital expenditures. As we are not likely to have an approved 2010 – 2014 capital plan anytime soon, these dollars will be key in keeping critical capital expenditures going in the new year after the current '05 – '09 program expires on December 31st. Additionally, we need these funds to draw down a second round of stimulus funds, expected in the spring.
 - b. Existing stimulus funds: The MTA is allowed to flex up to 10% of its stimulus funds for operating. However, moving these funds to offset an operating shortfall only creates a hole in the current capital budget, as these dollars have already allocated to specific projects. Taken side by side, the MTA's capital budget (\$9.9 billion gap over five years) is in much worse shape than the operating budget (\$383 m gap in 2010).
- 2- **Capital spending is good for long term economic recovery**, which the MTA desperately needs given tax revenues are tied to the economic health of the region. Also, we're in this operating mess because of past lack of investment. Moving these dollars to operating would undercut the system's reliability and safety and jeopardize the progress that has been made since 1980 in restoring the system to a state of good repair. And by deferring required maintenance, it would actually increase future costs to sustain the system, requiring even larger investments – and putting more pressure on the fare – in the future. Similarly, halting or deferring projects like East Side Access or the Second Avenue Subway would undercut future economic growth and require returning federal funds that have already been committed.
- 3- **The MTA's riders and taxpayers are already paying a heavy price for past financing practices brought on by underinvestment (lack of capital spending)**. As a result of the disastrous system of "borrow now, pay-during-the-next-person's-term-of-office" used to finance capital programs in the late 1990s and the first half of the current decade, starting in 2012, almost one in five dollars of the MTA's operating budget is expected to be devoted to paying debt service. Cutting capital expenditures is the same as cutting service, just in the future rather than the present.

Going forward, some alternative ideas could help minimize service cuts:

- a. The City and State should at minimum shoulder the burden for school transit passes. In the past, the passes, which costs the MTA approximately \$240m/year, was split evenly between City and State. Starting in 1995, the city and state reduced their

contributions to \$45 m each. While the city has maintained this level, the state contribution has dwindled to just \$6m/year. You would be hard pressed to find another transit agency in the country that shoulders the burden of school transit passes. The city and state must step up to fund these passes. The MTA's current hole cannot be filled entirely through internal measures that the MTA can take on either the operating or capital side; Albany and City Hall both need provide some additional allocations.

- b. Future stimulus dollars, as is being discussed in the upcoming jobs bill, might have the flexibility to be used for operating. But we can only pull those dollars down with a match provision, which would be eliminated if pay as you go capital were moved to offset operating deficits. Further, long term transit operations should not be reliant on federal dollars.