Transit Advocates Offer Creative Revenue Options for MTA

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by Paul Burton

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With good reason, transportation advocates and experts in the New York region are suggesting alternative revenue streams to help the Metropolitan Transportation Authority.

They do so against a backdrop of urgency and uncertainty. The MTA has a roughly $15 billion gap in its proposed $32 billion capital program for 2015-2019 and help from Albany, Washington and even its home city are big variables.

State officials in October rejected the authority's capital plan without prejudice and since then have uttered nary a peep. While New York City has agreed to contribute more to mass transit, MTA officials say it's nowhere near enough.

No third parties so far have questioned the size of the MTA's ask and some have agreed with Chairman Thomas Prendergast who says $40 billion would be more appropriate. Citing its impact on the region, he has called his agency a $1 trillion asset.

Hovering over all regional transit agencies, not just MTA, is the May 31 expiration of the federal highway trust fund transportation package. Congress is scrambling for a short-term fix.

"We all have to see what the federal government does first," said Michael Sweeney, senior vice president and New York metro district leader for transportation engineering firm HNTB.

Even with a stop-gap federal solution, getting money from Washington "will be a hard sell," said Jonathan Peters, a finance professor from the College of Staten Island.

The state capital is also in disarray. Dean Skelos, R-Rockville Centre, resigned as Senate leader on Monday amid federal corruption charges. He is the sixth legislative leader since 2008 to face criminal charges or scandal, joining most recently Democrat Sheldon Silver, who stepped down as Assembly Speaker in January.

Gov. Andrew Cuomo over the past few months has said little about the MTA's situation, other than offhandedly suggesting last fall that its proposal might be bloated.

The MTA, a state-run agency though its services center on New York City, is one of the largest municipal bond issuers with nearly $35 billion of debt.

"Unless they figure out a way to slow down the debt or at least mitigate it, we could have a real problem here," said Peters.

The capital markets for now remain confident in the MTA's ability to manage debt. On Monday, Kroll Bond Rating Agency assigned a close-to-the-top AA-plus rating to the authority's transportation revenue bonds, one of its largest credits. The bonds are backed by a diverse pledge of revenues, including fares, tolls, and government subsidies and dedicated taxes.

"Much of the public discourse surrounding the MTA finances focuses on the total volume of debt outstanding, but Kroll's rating is based on a deeper look into the soundness of the MTA's underlying financial fundamentals, both now
and in the foreseeable future," said the authority's chief financial officer, Robert Foran.

Moody's Investors Service rates the bonds A2. Standard & Poor's and Fitch Ratings rate them AA-minus and A, respectively. S&P last year raised its issuer and transportation revenue bond ratings for MTA, both to AA-minus from A-plus.

"Part of the problem with MTA, and I see that with Port Authority, too, is the outside perception that these agencies are not run very well," said Sweeney. "I don't think they're bloated and wasteful. There isn't a whole lot of that now."

New York Mayor Bill de Blasio last week increased the city's contribution to the MTA capital program to $657 million over five years. Prendergast responded by asking for $2.5 billion over that period, including $1 billion for the long-delayed Second Avenue subway line along Manhattan's East Side.

"Does the city benefit from the Second Avenue Subway? Damn right," said Sweeney.

According to Sweeney, Cuomo's retention of Prendergast is a big plus.

"He's an operations guy and a technical guy," he said of Prendergast, who just received a six-year extension subject to state Senate approval. "He happens to know Long Island Rail Road and New York City Transit exceptionally well because he's run both of them. And he's far less political than some previous chairmen."

The most headlined outside revenue reform proposal is the MoveNY initiative led by former New York City transportation commissioner "Gridlock Sam" Schwartz. It would impose electronic congestion pricing on vehicles entering Manhattan south of 60th Street and toll now-free East River bridges while lessening tolls on other bridges that connect the city's outer boroughs.

Schwartz has said the move could bring in about $1.5 billion annually, with $1.1 billion for mass transit and the balance for bridges and roads.

Other revenue suggestions - some creative and futuristic -- include a vehicle mobility tax; tolling based not on flat rates but time of day, day of week or seasonal; a hotel room key that could double as an MTA MetroCard; and a tax or trucks, given the rising trend of commercial deliveries. Farther-reaching ideas included an additional toll bridge from Staten Island, N.Y. to New Jersey and even a marijuana tax should New York State ever legalize the substance.

"More money can and should come from motorists," Charles Brecher and Jamison Dague of the Citizens Budget Commission watchdog organization wrote in a commentary. "Launching a VMT tax in New York could provide a fiscal foundation for future highway and mass transit investments and put New York State in a leadership role."

Peters, however, questions how much revenue a VMT could raise in the metro area. "In New York, people don't drive that much," he said.

According to a survey by HNTB, 80% of Americans would shell out more money for infrastructure improvements if those dollars went directly toward creating thousands of jobs in the U.S. Nearly one in every four would spend more than $20 per month if necessary, the survey added. Research firm Kelton surveyed just over 1,000 Americans for HNTB in late March.

"I prefer a low fare, but I don't know why everyone has to pay a low fare," transit historian and retired MTA executive Peter Derrick said at a recent conference in Manhattan sponsored by the University Transportation Research Center, a unit of City College of New York.

"London has $6 fares and London's system is not falling apart."

Derrick, author of the book Tunneling to the Future: The Story of the Great Subway Expansion That Saved New York, said the MTA's outlook is much better than in its dark days of the 1980s, before then-chairman Richard Ravitch.
crafted its first capital plan. "The MTA has had a lot of success, investing more than $110 billion through a series of five-year capital plans."