Watchdog Take on MTA Budget Proposals

Stable, Repeating Revenues Can Save MTA from Fiscal Cliff and Increase Service

It is good news for transit riders that the Governor, Assembly, and Senate agree that keeping the MTA solvent is a top priority for this year's state budget. The MTA has made a good case that it needs $600 million in new funding in 2023 and recurring revenue of $1.2 billion in 2024 and beyond to close its huge budget hole. We agree that the MTA needs substantial new state dedicated funding. Its fiscal cliff is very real, with structural deficits aggravated by a massive decline in ridership caused by COVID-19 changes to work and commuting.

Recurring, Stable, Dedicated Funding is Best for MTA and Transit Riders

Here is our take on the high-profile MTA revenue proposals being negotiated in Albany:

- **Payroll Mobility Tax (PMT – $800 million/year)** – the Governor's budget proposal to slightly increase the PMT would put the MTA on stable, solid ground and be remitted directly to the MTA. Remitting funds protects them from potential budget raids, and ensures the MTA and riders don't have to fight year-after-year for adequate state funding in the budget. The Senate's budget proposal to exempt certain employers in Hudson Valley counties from this tax should be shelved. Hudson Valley employers are part of the same regional economy that depends on a healthy MTA, and have a shared responsibility with all MTA stakeholders to make the MTA whole.

- **Corporate Taxes (Corporate Franchise and Corporate Income Taxes – $1.5 billion/year)** – the Senate and Assembly's proposals for increasing corporate franchise and corporate income taxes would also provide guaranteed, though more volatile, funding. The Assembly's proposal, however, would sunset after four years, meaning that the Legislature would need to either renew them or come up with alternate funding options. Unfortunately, because the legislature's one-house bills were not released with a financial plan, as requested by watchdog groups, it is difficult to calculate the exact totals for various revenue sources.

- **New Downstate Casino Revenue ($450 million/year plus one-shots)** proposed by the Governor could start in 2026. Notably, the Senate would massively reduce the MTA's take to only one-time license fees. Why exactly would the state of New York want to gamble the future of subway, bus, and train riders on projected revenue from a controversial industry that does not even exist yet and has historically been viewed as a source of education funding? This is a highly speculative revenue source. The MTA is a fundamental driver of regional economic development, and it needs proven, stable, secure, and recurring funding.

One-Time Funding only Smart as a Bridge to New, Recurring MTA Dedicated Taxes

- **The Governor proposes a one-time COVID emergency payment ($300 million one-shot),** recognizing that new revenue streams take time to arrive at the MTA, but the bulk of her proposal rightly emphasizes recurring dedicated revenues.

- **The Assembly proposes one-time aid from the General Fund to avoid a 2023 fare hike ($197 million one-shot).** The Assembly will pay for the MTA's planned 2023 fare hike and essentially push the next fare hike discussion to 2024. The Senate did not specify a source of funding to cover canceling the fare hike – it is unclear if there are sufficient funds in the Senate proposal to fully cover this cost.

Increased General Fund Payments Should Also Be Recurring

General Fund payments are best made through recurring state programs like 18-b, or to finally make good on the state's historic commitments to the MTA. Reinvent Albany has proposed the state make the following additional, recurring General Fund payments for transit that would provide $500 million more to the MTA this year alone:

- The 18-b program should be increased to $350 million a year for all downstate systems to account for inflation. A similar increase could be made for upstate systems. (**+$125 million/year for MTA)**
- The State should stop raiding MTA dedicated funds (the Metropolitan Mass Transportation Operating Assistance fund or "MMTOA") to fund its 18-b contribution. This would shift the cost *back* to the state, effectively increasing the MTA's overall revenues. Over the last 20 years, $4B has been diverted from transit systems by this raid – see our report, *Skipping Out*, for more details. **(+$175 million/year for MTA)**
- New York State Payroll Mobility Tax (PMT) "make whole" funds to repay the MTA for exemptions created in 2011 and 2015 (currently flat $244 million) should be adjusted for inflation. The state had proposed that the City of New York pay for exemptions to the PMT within the five boroughs, but that proposal was rejected by both the Senate and Assembly. **(+$200 million/year for MTA)**

Caution on Other Recurring Revenue Proposals

Additional proposals for recurring revenues have been floated in the various budget bills for MTA funding. These could become part of a final package, but we have the following precautions or recommendations for individual proposals:

- Charges on Uber and Lyft rides proposed by the Senate must be considered in the context of congestion pricing implementation, and could complicate its roll out. The Traffic Mobility Review Board has yet to make a recommendation for tolls and exemptions, as the MTA is awaiting a final ruling on its environmental assessment from the federal government.

- Residential parking permit fees proposed by the Senate would only come to the MTA if the NYC Council agrees to implement them, which they do not appear willing to do.
- Madison Square Garden's tax abatement should end, but there is a strong argument to return these property taxes to New York City, which has missed out on nearly a billion dollars in revenue due to state action. This is foregone NYC revenue that could have provided funding to schools and other city services. The Senate has proposed that MSG payments in lieu of taxes be provided to the MTA.
- Recurring New York City contributions proposed by the Governor were rejected by both houses. Reinvent Albany agrees with the Legislature and Mayor that the Governor's budget imposed an unfair burden on New York City taxpayers – who also pay for the MTA via their state taxes. The State, however, should work with NYC to improve its Fair Fares program. NYC Council Speaker Adrienne Adams and the Community Service Society support more funding for the program and have reasonably proposed increasing the eligibility threshold to 200% of the federal poverty limit. It would be a missed opportunity to not secure these changes this year.

There is More Than Enough for Increased Service

The various dedicated revenue proposals from the Governor, Senate, and Assembly together would provide more than enough to cover the MTA's deficit – $600 million in 2023, and $1.2 billion in the out years – *and* to improve service, as called for by transit advocates. Riders Alliance has proposed $300 million in additional state investments to fund increased frequency on the subways and buses, with a goal of reaching 6 minute service intervals.

It is also worth noting that the Governor, Senate, and Assembly have all proposed spending billions on wasteful corporate giveaways that don't work. Instead of using taxpayer money to pay business owners to hire people to make lawn furniture and sitcoms, the State could use those public funds for better transit, nicer parks, and more child and elder care, not lining the pockets of corporations. Investing a relatively small (in the context of the state budget) but meaningful $300 million for more frequent service would have an immediate impact on the daily lives of transit riders.