Testimony for Joint Legislative Hearing on Transportation

The MTA Is the Engine of New York's Economy, and the Governor and Legislature Must Fully Invest in the MTA 2025-29 Capital Plan

February 6, 2025

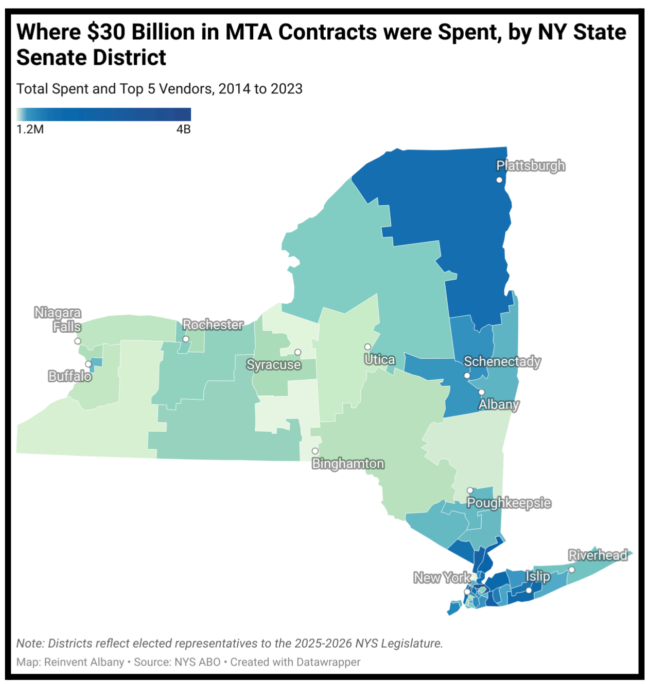
Reinvent Albany advocates for transparent and accountable New York government. We are presenting our thoughts on the transportation components of the FY 26 Executive Budget, in particular related to the Metropolitan Transportation Authority (MTA).

Our testimony today focuses on four areas, with recommendations summarized at the end (section links provided below):

1. Future of MTA 2025-29 Capital Plan Affects Entire NYS Economy
2. Executive Budget Fails to Fully Fund MTA 2025-2029 Capital Plan
3. Congestion Tolls Must Be Protected, with No New Carve-Outs
4. MTA Should Build on Open Data Wins with Revamped Capital Dashboard

1. Future of MTA 2025-29 Capital Plan Affects Entire NYS Economy

The Metropolitan Transportation Authority (MTA) is a huge economic engine in the tri-state region, and paid $35 billion to local companies over the last ten years – with $30 billion paid to vendors in New York State alone.



Today, Reinvent Albany released our updated analysis and interactive website that shows the enormous amount of MTA business in New York, New Jersey, and Connecticut in 2025 legislative districts. Every single NY, NJ and CT Congressional District, every NYS Senate district (as shown at left), and 149 of the 150 NYS assembly districts had companies that received MTA payments from 2014-2023.

The Governor and NYS Legislature are being asked to find $33 billion to help fund the proposed MTA 2025-2029 capital plan. The new analysis helps underline that MTA capital spending is not only an investment in better transit service which connects businesses to a huge regional labor market, it is also an enormous jobs and economic stimulus program. The Partnership for New York City also found that the MTA 2025-29 capital plan would *directly* create 72,600 jobs for MTA vendors in NYS alone, and create $106 billion of statewide economic output.

2. Executive Budget Fails to Fully Fund MTA 2025-2029 Capital Plan

Gov. Hochul failed to propose new revenue sources to plug the $33 billion funding gap for the MTA 2025-29 capital plan in her executive budget. The Governor is playing a dangerous game of political chicken with the Legislature to see who will bite the bullet and propose new taxes and fees. Much better is for the Governor to work with you to ensure the single most important asset owned by New York State keeps propelling the economy of the downstate region. Both branches are responsible for ensuring riders have a safe and reliable transit system, employers have access to an enormous, talented labor force, and New Yorkers can keep lending their genius to the state and national economy.

Assembly Speaker Heastie has it right that the $33 billion gap in funding would require about $2 billion a year in recurring revenues – $2.2 billion a year if you assume a 15-year bond multiplier. *However, this gap will become much larger if the federal government does not provide the $14 billion the MTA penciled in for its contribution.*

Additionally, the Governor has only proposed $3 billion in capital funds from the state (the MTA requested $4 billion each from the state and city), and it is unclear what "update" is being made to the 2025-2029 capital plan. Though very large, we believe the 2025-29 plan realistically reflects the huge backlog of projects needed to keep trains and buses rolling.

One-time vs recurring revenues

Past MTA capital plans have been funded through a variety of one-time and recurring revenues. As the Legislature considers how to raise the revenue necessary to fund the 2025-2029 plan, we encourage you to look at both one-time and recurring revenue options.

- **One-time revenues:** NYS and NYC capital appropriations that are specifically authorized for the MTA capital plan. For NYS capital appropriations, the source of funding is not identified in budget bills, but rather state financial plans. NYS should bond for these appropriations outright and *not* ask the MTA to do this on the state's behalf with a promise it will offset debt-service payments 30-years into the future.
- **Recurring revenues**: dedicated taxes, fares, or tolls that provide ongoing revenue streams are bondable for capital programs. Dedicated taxes have been created by the state to support the MTA (payroll mobility tax), or to be lockboxed for a specific capital plan (congestion pricing). Recurring revenue also comes from riders' fares or bridge and tunnel tolls. The MTA uses recurring revenues to bond for its capital plans, which requires annual debt service payments to pay them back. Therefore it is important that debt payments don't drive up riders' fares to unaffordable levels.

See below for a Reinvent Albany analysis of past one-time and recurring revenue sources for past MTA capital plans, as well as the current gaps for the 2025-2029 plan.

Reinvent Albany Analysis of Historical vs Current MTA Capital Funding Spreads: Recurring vs One-Time (in billions)						
Source of Funding	**Adopted MTA 2015-19 Capital Plan**	**Adopted MTA 2020-24 Capital Plan**	**Proposed MTA 2025-29 Capital Plan***	**Executive Budget**	**Recurring or One-Time?**	**Notes**
NYS Capital	*$9.1*	*$3.2*	*$4.0*	*$3.0*	*One-time*	*For the 2015-19 plan, after not specifying how this capital contribution would be funded, the state proposed MTA bond this amount, with the state offsetting the MTA's annual debt service payments; however, after COVID wrecked havoc on the MTA's finances, the state determined that it would bond out this funding with state revenue sources.*
New State Dedicated Funds	**N/A**	**$25.0**	**N/A**	**None Included**	**Recurring**	**Recent dedicated taxes have been limited to one plan; for example, congestion pricing, mansion tax, and the internet sales tax are currently only available for 2020-2024 plan.**
NYC Capital	*$2.7*	*$3.0*	*$4.0*	*$3.0*	*One-time*	*The 2020-24 plan requires NYC to provide $3 billion on a schedule; should they not do so, the state is authorized to withhold tax payments that would have been sent to NYC. A similar provision is included in the executive budget for the 2025-2029 plan.*
Federal	$6.8	$13.1	***$14.0***[1]	***$14.4***[2]	***Both***	Federal funds come from a mixture of sources; formula funds and one-time competitive grant programs
MTA Bonding/ PAYGO	**$11.2**	**$7.4**	***$10.0***	**$9.3**	***Recurring***	***Bonds backed by existing dedicated funding streams (like Payroll Mobility Tax, Petroleum Business Tax, etc), rider fares, and tolls***
B&T Bonding	**$2.7**	**$3.3**	***$3.0***	**$3.0**	***Recurring***	***Funded from tolls***
Other	$1.2	$0.6			***Both***	Asset sales are one-time, while leases are recurring
Funding amount	*$33.6*	*$55.6*	*$35.0*	*$32.7*		
Total Size of Capital Plan	**$33.6**	**$55.6**	**$68.4**	**$68.4**		
Funding Gap	***Fully funded***	***Fully funded***	***$33.4***	***$35.7***		

[1] Federal funding expected for the 2025-2029 capital plan was proposed by MTA before the outcome of the 2024 presidential election was known; it is not realistic to assume that $14 billion will be provided by the current administration.
[2] The Governor's Executive Budget released in January 2025 perplexingly assumes *more* federal funding than the MTA proposed capital plan adopted in September 2024.

3. Congestion Tolls Must Be Kept Fair With No New Carve-Outs and Enhanced Enforcement

20+ Groups Call for Basic Fairness, Oppose Exemptions for Politically Privileged Special Interests Congestion Tolls

Reinvent Albany and more than 20 other groups strongly oppose bills seeking to exempt special interest groups who enter the central business district from congestion pricing tolls. We also oppose bills that propose delaying the program or canceling it altogether. Results during the first month suggest that congestion pricing is working; all of these bills would result in less revenue for MTA capital projects, increased traffic congestion, and worse air quality – the three main pillars of the congestion pricing program.

These bills are an attempt by special interest groups to win special treatment through political influence in the Legislature after their proposals were rejected by an independent panel and its staff experts, and by the courts.

The Traffic Mobility Review Board (TMRB) spent months evaluating more than 120 requests for congestion toll exemptions, largely from special interest groups. We observed the entire process and believe TMRB based its decisions on three fundamental principles:

1. Serve the many, not the few.
2. Act as fairly as possible.
3. Keep tolls as low as possible by limiting toll exemptions for special interests.

We credit the TMRB with creating a toll exemption policy that is fair and provides the greatest benefit to the greatest number of New Yorkers. We ask the Legislature to respect that policy and its commitment to basic fairness.

The Permanent Citizens Advisory Committee (PCAC) to the MTA and Regional Plan Association found that exempting municipal workers would cost $140 million/year under a $15 toll. According to the PCAC, exempting NYPD members alone from the updated $9 toll would cost $22 million in 2025 and more annually as planned toll increases are phased in.

It would be contrary to notions of basic fairness to pass these bills and reward special interests with massive handouts that will ultimately be paid by other toll payers or taxpayers.

We urge the Legislature to NOT pass these bills, including in budget legislation.

Better Toll Enforcement Will Ensure Integrity and Fairness

While measures to prevent toll evasion and crack down on ghost plates were passed in last year's budget, they contain a huge loophole. The law allows motorists to avoid toll evasion fines by immediately "correcting" a fake or obscured plate. We think this will be widely abused. For example, we read the law as saying that a motorist covering their plate with wrinkled plastic wrap – a technique we are seeing on the street – can avoid a summons or fine by pulling off the plastic in front of a cop or possibly sending a picture of the plate without the wrap to a traffic court. We continue to support allowing officers to immediately confiscate illegal plates and covers, then issue a summons, as was originally proposed by the Governor in last year's budget.

4. MTA Should Build on Open Data Progress By Revamping Capital Dashboard

To build public support for capital projects and spending, the MTA should revamp its capital program dashboard. The dashboard was first created in 2009 – 15 years ago – and just like the MTA's other aging assets, it really needs an upgrade. We emphasize that an improved dashboard must be accompanied by better underlying open data to let the public see for themselves when projects will be completed, how they are funded, who will do the work – whether outside vendors or in-house MTA employees – and where they fall on the map of the MTA service area.

We continue to support full implementation of S3545 (Ramos)/A4043 (Carroll) of 2023/2024 (in the process of being updated for 2025), which requires additional transparency of spending on MTA capital projects – including sources of funding for individual projects.

Portions of this bill were passed in the FY 2023-2024 budget; the MTA has since created specific tabs for ADA and resiliency projects on its dashboard. We see no reason that projects funded by congestion pricing should not be similarly tagged and pulled out on the dashboard.

5. Reinvent Albany MTA Legislative and Budget Recommendations

Protecting MTA Revenue and Ensuring Fairness

1. **NYS capital appropriations to MTA must be specified as coming from the state's own resources;** the state should not be able to force the MTA to borrow with the "promise" of the state offsetting debt-service payments for the next 30 years.
2. **MTA debt payments must be kept at 15% or less of operating revenues.** The MTA has committed to keeping its debt-service payments to 15% of its operating revenues, which is an important threshold to ensure debt payments don't eat away at its ability to provide safe, reliable, and affordable transit service.
3. **Recurring revenues should be "lockboxed" in two ways:**
    a. For a specific MTA capital plan, or generally for MTA capital projects; we note that lockboxing revenues specifically for subway cars/bus replacements may be desirable to allow NYS railcar and bus manufacturers to plan for the future; and

    b. Remitted to the MTA directly, rather than requiring annual appropriations that are vulnerable to raids by future governors.

4. **New dedicated NYS taxes and/or fees should be regional**, reflecting the importance of the MTA to the economy of the entire metropolitan region.
5. **New taxes and fees should consider allocation among all of those who benefit from transit: drivers, riders, and taxpayers**, while being progressively applied among those who are most able to afford it.
6. **The Legislature should close loopholes from last year's budget on toll evasion.** While some measures to prevent toll evasion and crack down on ghost plates were passed in last year's budget, the ultimate law is a compromise that contains a huge loophole. The law allows motorists to avoid toll evasion fines by immediately "correcting" a fake or obscured plate.
7. **The Legislature should hold a joint hearing on MTA tax increment financing and value capture, as it stated it intended to in the FY 2022-2023 budget, prior to extending this program.** A hearing would allow the Legislature to understand potential use cases for and risks inherent to such financing schemes, and learn more from national experts about how value capture has worked elsewhere. There are a number of experts on TIFs, including the Citizens Budget Commission, Good Jobs First, Bridget Fisher (formerly of the New School), Eric Kober of the Manhattan Institute, and Rachel Weber at the University of Illinois - Chicago, who could be invited to a hearing (see our blog post on TIFs for more information about these scholars as well as our budget testimony from last year).

MTA Legislation

8. **The Legislature should NOT pass bills adding new exemptions to congestion pricing** to keep the program fair for the many, not the few, and NOT include any exemptions in one-house or final budget bills, as requested by 20+ groups.
9. **The Legislature should pass A2895 (González-Rojas) to directly remit the Internet Sales Tax to the MTA** to protect it from raids by the Executive, which could be included in one-house budget bills.
10. **The Legislature should pass A3086 (Carroll) requiring future MTA 20-year needs assessments to include specific non-binding cost estimates.** This could be included in one-house budget legislation.
11. **The Legislature should pass S3545 (Ramos)/A4043 (Carroll) of 2023/2024 to expand data reported on the MTA capital dashboard** requiring additional transparency of spending on MTA capital projects – including sources of funding for individual projects. Portions of this legislation were included in prior budget bills. (The bill is being updated for 2025 and could be included in one-house budget legislation.)

Thank you for your consideration. If you have any questions, please contact Rachael Fauss, Senior Policy Advisor, at rachael@reinventalbany.org.