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“Minding the (MTA Budget) Gap!”

The Metropolitan Transportation Authority (MTA) is sinking into a \$2.5 billion hole, and New York is tapping into new funding streams to help throw the beleaguered transit agency a lifeline.¹ New York State’s proposed 2023-2024 state fiscal year budget is filled with actions to raise revenue. Among the considerations in the budget proposals are an Uber and Lyft tax, dedicated funding from anticipated casino revenue, increasing New York City’s contributions for discounted fares and paratransit, and increasing subway and bus fares. By any measure, this is looking like an all hands on deck effort.

While much remains uncertain during the State’s pending budget negotiations, budget extenders have been passed to keep the State operating. This article discusses the various funding and revenue proposals, including an update on the role congestion pricing will play in the MTA’s finances.

MTA Funding Budget Proposals

At the very bottom of the most recent version of the legislation necessary to implement the state’s transportation, economic development and environmental conservation budget is a provision that would add a \$0.50 tax on all Uber and Lyft trips in New York State.² The MTA TNC Surcharge from Uber and Lyft riders in New York City would go directly to the MTA. Outside New York City, revenues would go to the local public transportation system where the trip originated.

The proposed surcharge would apply to High-Volume For-Hire Services only – not the black cars, limousines, or liveries that comprise New York City’s for-hire vehicle (“FHV”) sector – and is similar to the \$0.50 MTA State Surcharge that currently applies to taxi rides in New York City, which has been in place since 2009. The MTA Surcharge would be in addition to the congestion surcharge (\$2.50 for taxis, \$2.75 for FHV, and \$0.75 per pooled ride passenger) that the MTA has been collecting from taxi and FHV riders travelling below 96th Street in Manhattan.³ Since its implementation in February 2019, the congestion surcharge has generated more than \$1 billion for the MTA. When combined with the 2009 MTA taxi surcharge, the MTA has collected nearly \$2 billion from the City’s ground transportation industry.

If the MTA TNC Surcharge is implemented in this year’s state budget, Uber and Lyft riders in NYC will be paying \$3.25 to the MTA per ride. That’s more than the cost of the standard fare to ride the subway.

¹ <https://cbcny.org/podcast/2026-mta-chair-ceo-janno-lieber>

² <https://www.nysenate.gov/legislation/bills/2023/s4008/amendment/b>

³ \$2.50 for taxis, \$2.75 for FHV trips, and \$0.75 per passenger in a pooled ride.

The MTA TNC Surcharge is not the only new MTA revenue generator under consideration. Governor Kathy Hochul’s Executive Budget includes numerous proposals to help balance the MTA budget. Among the proposals are an increase in the Payroll Mobility Tax (PMT). Another proposal would require the City to contribute over \$500 million in additional annual subsidies to the MTA by increasing City contributions for paratransit costs and student fare reimbursements from 50% to 100%. Meanwhile, the New York City Council Speaker, Adrienne Adams, called for an extension to NYC’s Fair Fares program, which subsidizes the standard fare for persons meeting income eligibility levels. The City would also be required to provide a 47% City-funded contribution to offset a portion of foregone Payroll Mobility Tax payments to MTA.

The Governor’s budget also includes a one-time \$300 million payment to the MTA and a share of licensing fees and tax revenues generated by any casinos licensed to operate in the City. According to the MTA, these actions will close the Authority’s remaining outyear budget deficits – possibly even beyond 2026. However, the status of this funding remains uncertain until after the approval and passage of the State Executive Budget.

If passed, the MTA anticipates that these proposed actions will generate \$565 million in 2023, \$1.29 billion in 2024, \$1.33 billion in 2025, and \$1.81 billion in 2026 – which will close the MTA’s budget deficits through at least 2026. However, the levels of funding will not be final until the final State Executive Budget is enacted.

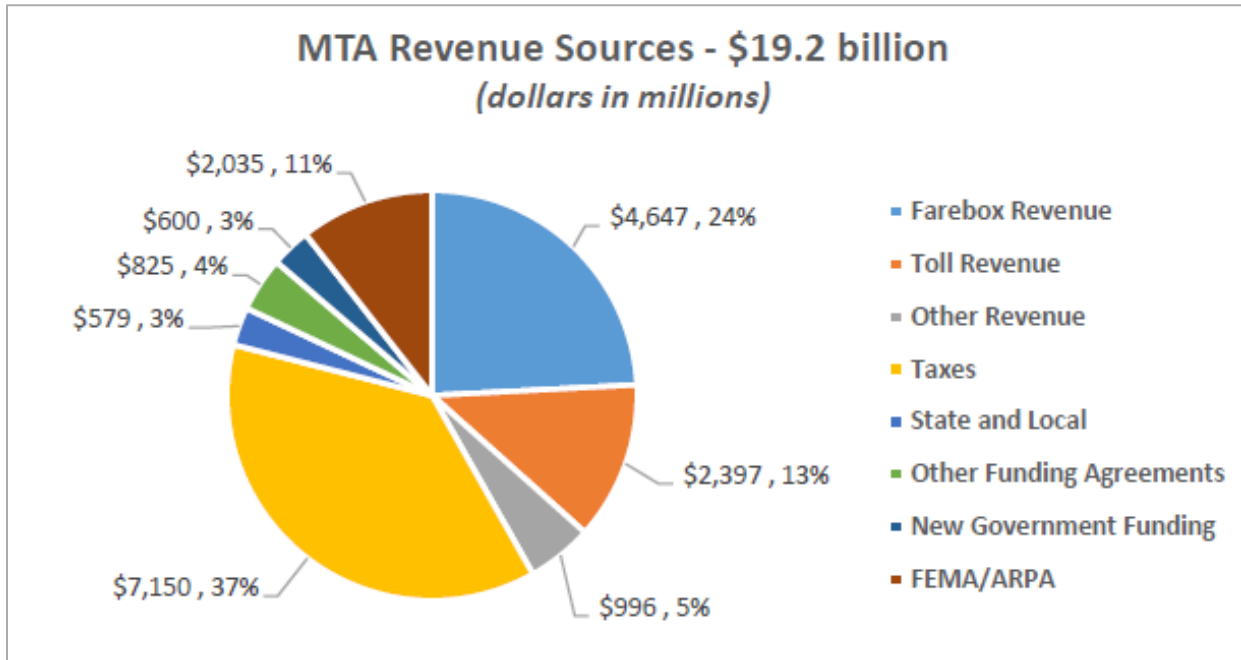
Just as budget negotiations were heating-up in Albany, the New York City Council Transportation & Infrastructure Committee held a preliminary budget hearing on March 9, 2023, at which MTA New York City Transit (NYCT) President Richard Davey testified about the MTA’s \$19.2 billion adopted budget for 2023.⁴ Highlights of the MTA’s budget and fiscal plan presented to the NYC Council hearing include \$5.6 billion in remaining COVID stimulus funding to cover deficits through 2024, a 5.5% fare increase in 2023, and \$600 million in unspecified additional government funding and/or additional MTA actions.⁵ The MTA projects annual deficits totaling \$1.2 billion in 2024 and 2025, and \$1.6 billion in 2026. The MTA plans to achieve deficit reductions through operating efficiencies, the use of federal COVID funds to reduce debt and operation costs, and cash repayment of a Federal Reserve loan to avoid long-term bonding.

MTA Revenue

⁴ The MTA’s budget is unique within the City’s budget process because it is a State-controlled public authority and operates on a calendar year, rather than a fiscal year. Each July, the Authority issues a Preliminary Budget for public review and comment before issuing a Final Budget in late November. Because the Authority’s Adopted Budget is voted on by the MTA Board in December of each year, the City’s Preliminary, Executive, and Adopted Budget process does not necessarily impact the adoption of the Authority’s budget. The 2023 Budget adopted by the MTA board includes a four-year financial plan for calendar years 2023 –2026.

⁵ MTA 2023 Final Proposed Budget, November Financial Plan 2023-2026, <https://new.mta.info/document/101141>; NYC Council Committee Report - Metropolitan Transportation Authority, <https://legistar.council.nyc.gov/LegislationDetail.aspx?ID=6027987&GUID=53B870B4-7790-47FE-A86D-9E9D88805E79&Options=&Search=>

Dedicated taxes and subsidies are the biggest sources of revenue for the MTA, followed by farebox revenue, which is still not expected to return to pre-pandemic levels. Fare revenues used to be the biggest source of revenue before the pandemic. In 2019, fare revenue was 42.1% of the MTA’s total revenue.⁶ In 2023, MTA is budgeting fares will make up only 24% of total revenue, as evidenced in the chart below.⁷



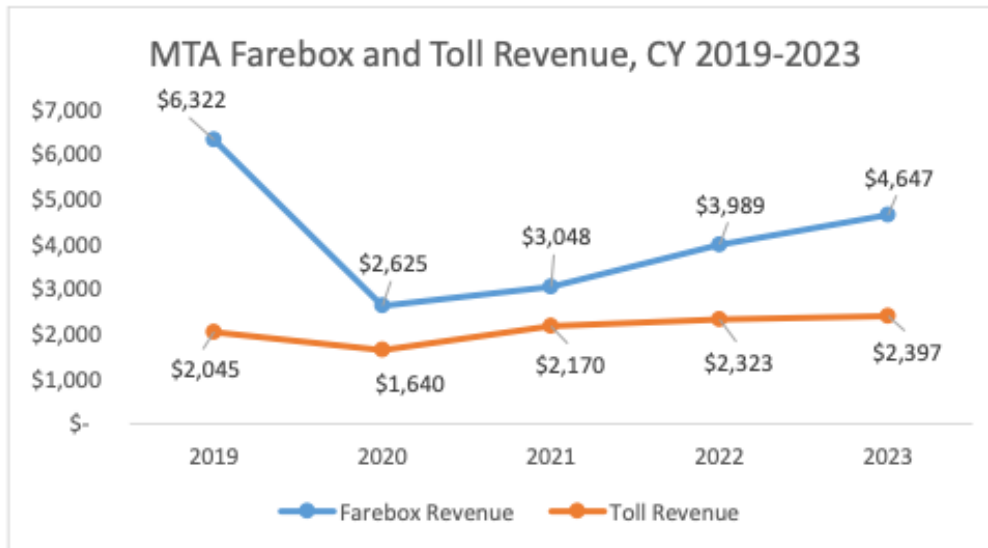
Source: NYC Council Finance Division, Report on the Calendar Year 2023-2026 Adopted Plan for the Metropolitan Transportation Authority

Since July 2020, MTA Financial Plans have reflected the pandemic’s impact on the Authority’s revenues. While bridge and tunnel traffic has fully recovered and the MTA forecasts revenues at approximately 100% of pre-pandemic levels, subway and bus ridership levels are still down. The MTA forecasts 2023 ridership on subway and buses at 70.9% and 74.1% of pre-COVID numbers, respectively. By the end of 2026, ridership levels are expected to be at approximately 80%, and the MTA expects that to be the new normal due to changes in ridership behavior attributed to hybrid work and online shopping.⁸ Based on ridership projections, the MTA estimates fare revenues will be \$4.6 billion in 2023, well below the \$6.4 billion reached in 2019. The chart below demonstrates how tolls have rebounded while collected fares have not reached the pre-pandemic levels.

⁶ <https://www.osc.state.ny.us/press/releases/2022/11/dinapoli-mta-budget-gaps-driven-fare-revenue-drop>

⁷ MTA 2023 Final Proposed Budget, November Financial Plan 2023-2026, <https://new.mta.info/document/101141>

⁸ NYC Council Committee Report - Metropolitan Transportation Authority, <https://legistar.council.nyc.gov/LegislationDetail.aspx?ID=6027987&GUID=53B870B4-7790-47FE-A86D-9E9D88805E79&Options=&Search=>



***2019-2022 MTA Final Budgets compared to 2023 MTA Adopted Budget – February Financial Plan 2023-2026**

Source: NYC Council Finance Division, Report on the Calendar Year 2023-2026 Adopted Plan for the Metropolitan Transportation Authority

The MTA has not increased fares since 2019, when it raised the price of 7–Day and 30–Day MetroCards by \$1 and \$6, respectively, and eliminated monthly bonuses while keeping the base fare at \$2.75.⁹ The MTA has put off fare and toll increases since the pandemic, and is now proposing a 5.5% fare and toll increase to take effect in June 2023, and a 4% increase to take effect in April 2025.¹⁰ The fare increases are subject to a public engagement period and would not necessarily affect the price of single subway rides.¹¹

MTA revenue cannot be discussed without also mentioning fare evasion, which continues to be a significant problem. In 2022, the MTA estimates that it lost \$500 million to fare beaters on its buses and subways.¹² At the MTA budget hearing before the City Council, NYCT President Davey testified that the unarmed guards that the MTA hired to address fare evasion in the subway cost the MTA approximately \$1 million per month, but the MTA estimates their presence has increased revenue by approximately \$2.5 million, so it is believed to be a successful program.

There are other recent developments in large transportation projects that impact the MTA fiscally, such as the Second Avenue subway expansion and the scrapped plan to create an AirTrain connection to LaGuardia Airport. This past March, the Biden Administration allocated \$497

⁹ NYC Council Committee Report - Metropolitan Transportation Authority, <https://legistar.council.nyc.gov/LegislationDetail.aspx?ID=6027987&GUID=53B870B4-7790-47FE-A86D-9E9D88805E79&Options=&Search=>

¹⁰ <https://new.mta.info/document/101141>

¹¹ NYC Council Committee Report - Metropolitan Transportation Authority, <https://legistar.council.nyc.gov/LegislationDetail.aspx?ID=6027987&GUID=53B870B4-7790-47FE-A86D-9E9D88805E79&Options=&Search=>

¹² <https://www.bxtimes.com/letter-mta-fare-evasion-study/>

million to extend the Second Avenue subway line into East Harlem.¹³ The Federal Transit Authority is expected to provide more than \$3 billion in grants, which will meet the \$3.4 billion that New York said it needs from the federal government to complete the \$7.7 billion expansion project.¹⁴ Also in March 2023, Governor Hochul officially jettisoned plans to connect LaGuardia to the subway and commuter rail. The LaGuardia AirTrain project had swelled to an estimated project cost of \$2.1 billion.¹⁵ Instead, the Port Authority of New York and New Jersey plans to run (and fund) a shuttle service to the N/W subway line in Astoria and to improve the MTA’s free Q70 bus to LaGuardia.¹⁶

Impact of Congestion Pricing Delays on the MTA Budget

Congestion pricing revenue from the Central Business District Congestion Tolling Program was estimated to cover 27% of the MTA’s 2020-2024 Capital Plan.¹⁷ Congestion Pricing has been delayed by the U.S. Department of Transportation Federal Highway Administration (“FHWA”) performing an environmental review of the project.¹⁸

After New York State passed congestion pricing in 2019, it was scheduled to begin by January 2021. However, the timeline was pushed back because the U.S. Department of Transportation under the Trump administration refused to proceed with the necessary environmental review of the project. The Biden administration took-up the environmental review in 2021, but it is a lengthy process. On August 10, 2022, the MTA released the Environmental Assessment of the CBD Tolling Program. If, based on that document, the FHWA determines that the CBD Tolling Program could have a significant impact on the environment, then it must prepare an environmental impact statement/study (EIS), which could takes years to complete.¹⁹ If the FHWA makes a “finding of no significant impact” (FONSI), or proceeds with an EIS, only then may the MTA proceed to the next stage of implementing congestion pricing.

While the FHWA has not provided a timeline for its review, the MTA is not planning for Congestion Pricing to proceed until the second quarter of 2024 – at the earliest. This adjustment in timing will reduce anticipated revenue from the program from \$1.0 billion to \$750 million in

¹³ <https://patch.com/new-york/harlem/biden-administration-announces-500m-east-harlem-2nd-ave-subway>

¹⁴ <https://patch.com/new-york/harlem/biden-administration-announces-500m-east-harlem-2nd-ave-subway>

¹⁵ <https://www.nbcnewyork.com/news/local/la Guardia-airtrain-plans-axed-in-favor-of-expanded-bus-service/4151760/>

¹⁶ <https://www.amny.com/transit/la Guardia-airtrain-proposal-officially-canned-by-port-authority-suggests-airport-shuttle-bus-instead/>

¹⁷ NYC Council Committee Report - Metropolitan Transportation Authority, <https://legistar.council.nyc.gov/LegislationDetail.aspx?ID=6027987&GUID=53B870B4-7790-47FE-A86D-9E9D88805E79&Options=&Search=>

¹⁸ <https://www.amny.com/transit/still-no-timeline-for-feds-approval-of-congestion-pricing-says-secretary-buttigieg/>

¹⁹ 40 C.F.R. § 1508.9(1).

2024.²⁰ However, the MTA said that its operating budget is not impacted by this adjustment.²¹ It is not a question of “if” congestion pricing is coming to NYC, it is simply a question of “when.” Whether the FHWA decides to issue a FONSI or require an EIS, delays will result, so it is hard to say exactly when the real timeline might be. If a FONSI is issued, there are likely to be lawsuits that delay implementation, and as noted above, an EIS study will take a while to complete. If there is a FONSI, and a successful lawsuit requiring an EIS per court order, then congestion pricing would be delayed even further than if the FHWA simply requires an EIS.

Where Do We Stand Now on the MTA Budget?

As of this writing, the passage of the State Executive Budget has been delayed due to the legislature’s ongoing negotiations with Governor Hochul concerning any modification to the considerations for bail in criminal cases. While those negotiations have garnered considerable media attention, the proposals to add new surcharges, taxes, and a \$500 million contribution from New York City to fund the MTA have been included in various budgetary proposals and discussions to meet the MTA fiscal shortfall, without a similar level of daily reporting. Yet, TNC riders, MTA riders and, indeed, most New Yorkers may be paying more (in one or more ways than one) to fund the MTA.

As any vigilant subway passenger can tell you, it is important to “mind the gap!” – not just to ensure your safety when riding, but also the ever expanding MTA budget gap.

²⁰ Committee Report - Metropolitan Transportation Authority, <https://legistar.council.nyc.gov/LegislationDetail.aspx?ID=6027987&GUID=53B870B4-7790-47FE-A86D-9E9D88805E79&Options=&Search=>

²¹ <https://nyc.streetsblog.org/2023/02/24/mta-pushes-congestion-pricing-back-to-second-quarter-of-2024/>