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Three Takeaways from the MTA's Financial Plan

July 2018 Update

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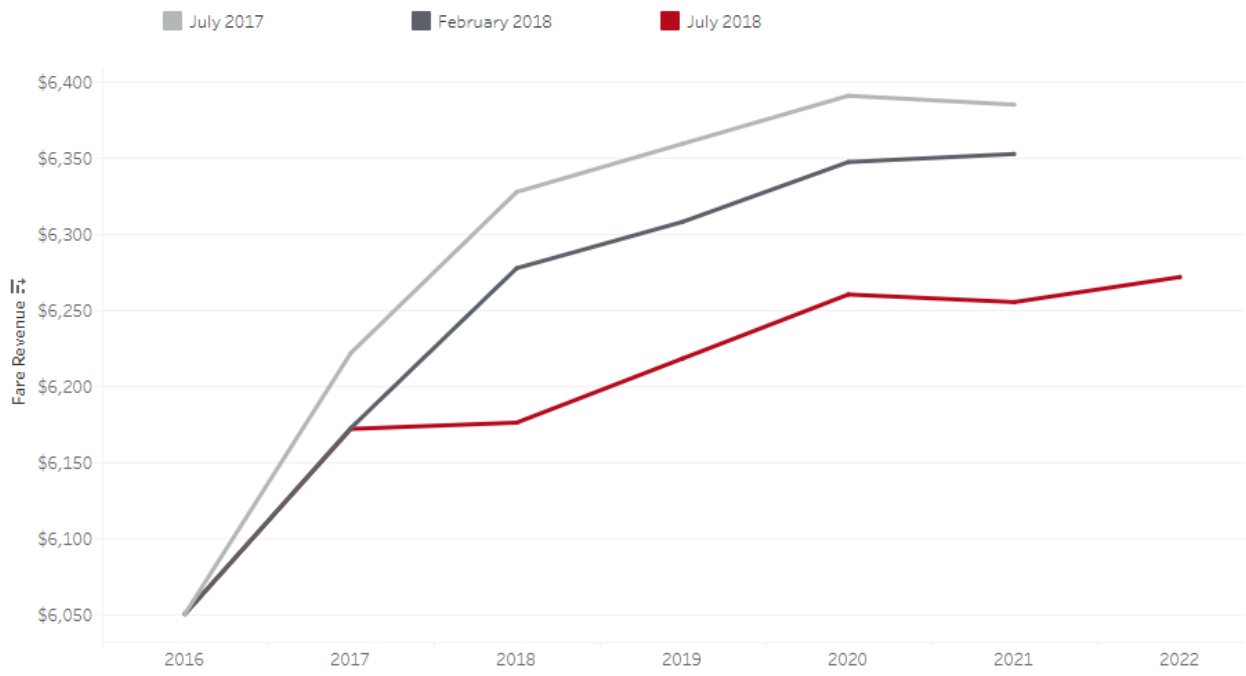
The Metropolitan Transportation Authority (MTA) released its 2019 Preliminary Budget and four-year financial plan last month. Here are three important takeaways.

First, the good news is the MTA has a new source of revenue. The agency will receive approximately $385 million annually from the New York City Transit Assistance Fund—supported by new fees on taxicab and for-hire vehicle trips that occur in or traverse Manhattan south of 96th Street.

But the bad news is that the agency has cut its fare revenue estimates again as ridership has declined. (See Figure 1.) The latest change takes $376 million out of the four-year financial plan. Since last year the MTA has reduced its fare revenue estimates by more than $550 million, or 2.2 percent, over the 2018 to 2021 period.

Figure 1: MTA Fare Revenue Projections 2016 to 2022
(dollars in millions)



Sources: Metropolitan Transportation Authority, *2019 Preliminary Budget, July Financial Plan 2019-2022* (July 25, 2018), *2018 Adopted Budget, February Financial Plan 2018-2021* (February 22, 2018), and *2018 Preliminary Budget, July Financial Plan 2018-2021* (July 26, 2017).

Second, though revenue growth slightly outpaces expense growth in the first half of the plan period, overall expense growth exceeds revenue growth, 10.4 percent versus 9.9 percent. Additional expenses derive from the labor and materials needed to fully implement agency "action plans"—including the Subway Action Plan ($836 million), commuter railroad plans ($132 million at the Long Island Rail Road and $56 million at Metro-North Railroad), and the Bus Action Plan ($52 million). To implement these plans, the MTA intends to hire hundreds of new workers, including approximately 500 additional workers for the Subway Action Plan, approximately 100 related to the Long Island Rail Road Forward Initiative, and approximately 40 workers for the Bus Action Plan.

Third, the MTA forecasts cash deficits of $262 million in 2020, $424 million in 2021, and $634 million in 2022. Though out-year cash deficits are not atypical, these are greater than the budgeted reserves and are the largest cash deficits the Authority has noted at this point in the budget cycle since 2009. (See Table 1.) These gaps assume the MTA achieves its savings targets and implements 4 percent fare and toll increases in 2019 and 2021. Moreover, the agency has already used some one-shots to alleviate previous budget pressures.

Table 1: MTA July Financial Plan Net Cash Balances/(Deficits) as Share of Total Budget, 2010 to 2018

July Financial Plan	Year One	Year Two	Year Three	Year Four
2010	0.4%	-0.6%	0.9%	-0.8%
2011	0.0%	0.7%	-0.3%	-1.0%
2012	0.4%	-0.9%	-0.1%	-1.5%
2013	0.0%	-0.3%	-0.6%	-0.6%
2014	0.1%	1.0%	0.7%	-1.7%
2015	1.1%	0.7%	-1.1%	-1.4%
2016	0.2%	0.4%	0.0%	-2.1%
2017	0.1%	0.6%	-0.6%	-2.7%
2018	0.0%	-1.5%	-2.3%	-3.4%

Sources: Metropolitan Transportation Authority, *Preliminary Budget, July Financial Plan* (annual editions 2010 to 2018).

This gloomier budget picture comes even as the regional economy continues to grow. A downturn or other risks, such as failure to implement fare and toll increases, achieve savings targets, or negotiate new labor contracts at currently assumed wage increases, could lead to even larger deficits.

Explore the MTA financial plan with our updated MTA Fiscal Dashboard.

By Jamison Dague