



CBC Statement on the MTA's 2021 Final Proposed Budget and November Financial Plan for 2021-2024

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New York, NY – November 18, 2020 - Citizens Budget Commission (CBC) President Andrew Rein released this statement on the Metropolitan Transportation Authority's (MTA's) 2021 Final Proposed Budget and November Financial Plan for 2021-2024:

"Today's financial plan update lays bare the MTA's dire fiscal situation: it faces budget gaps totaling \$15.9 billion between 2020 and 2024. While the MTA has begun implementing \$4.5 billion in gap-closing initiatives and has proposed extensive service cuts, these actions will not be enough to close the budget gaps. Make no mistake, federal aid is needed urgently.

Still, the gravity of the fiscal crisis requires the MTA use all tools available. The choices are difficult and may require a break with the great tradition of widely available 24/7 service in order to focus resources on delivering the core services the regional economy depends upon. The MTA is right to recalibrate service levels to match depressed ridership during the pandemic; this approach should continue to guide service decisions as ridership rebounds. However, it remains to be seen whether the MTA's proposed 40 percent service cut on New York City Transit services and 50 percent cut on the commuter rail services are not only significantly painful, but potentially dampen on our economic recovery.

The MTA also should focus on improving the system's operating efficiency, which could mitigate the most painful of these drastic service cuts—and the more than 9,000 layoffs that would accompany them. CBC's earlier work has illustrated \$1 billion in savings may be possible by bringing lagging bus operations and subway maintenance efficiency in line with other large systems and matching the efficiency of Long Island Rail Road to that of MetroNorth. Equalizing employee and retiree health benefit contributions to those of State employees could save another \$200 million annually. These would require collaboration with labor, who should be active partners in generating savings.

Taxpayers and eventually motorists also will be contributing to closing the budget gap. The MTA plans to use resources from “the capital lock box” to fund operations for the near future. The biennial 4 percent fare and toll increases are scheduled to take effect next year, and greater increases on riders and drivers may be necessary. In particular, greater toll increases, while painful, may be prudent as driving has returned more than ridership.

In order to balance this year’s budget and reduce next year’s gap, the MTA will borrow \$2.9 billion through the Federal Reserve’s Municipal Liquidity Facility. The MTA plans to convert this short-term debt to long-term debt. The fiscal situation is so dire that this ultimately may be a choice to consider; however, adding debt and annual debt service has important ramifications for the system’s long-run ability to finance operations and capital investment, and should be done as a last resort. The ultimate decision whether to convert MLF to long-term debt in 2023 should be made only after increasing efficiency, adjusting service levels appropriately, and determining how much federal aid will be received over the next few years."