



# CITIZENS • BUDGET • COMMISSION

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## **CBC Recommends Closing Funding Gap in MTA Capital Plan With Motor Vehicle User Charges: Best Options Are New Tolling Policies or New Vehicle-Miles Traveled Tax**

**New York, NY – March 25, 2015** – The Citizens Budget Commission (CBC) released a report, [\*More Than Fare: Options for Funding Future Capital Investments by the MTA\*](#), estimating the MTA requires between \$1.0 billion and \$1.2 billion in additional future annual revenue to fund an adequate capital investment program for the 2015 to 2019 period. CBC recommends this money be raised primarily through motor vehicle user fees dedicated to the MTA.

The recommended reliance on cross-subsidies from motor vehicle users to mass transit services is rooted in CBC guidelines for transit funding that distribute the burden “50-25-25,” meaning fares should cover half the costs and general tax subsidies and motor vehicle cross-subsidies should each cover about one-quarter. The MTA currently raises a smaller 11 percent from vehicle cross-subsidies using its bridge and tunnel tolls as well as dedicated gasoline taxes and vehicle fees. Increased reliance on motor vehicle user fees is consistent with the widely agreed upon goal of using financial incentives to reduce harmful consequences of extensive motor vehicle use—traffic congestion, which imposes costs in the form of delays, and environmental degradation through air pollution and greenhouse gas emissions.

The report identifies and analyzes four options for increased motor vehicle cross-subsidies: increased fees for vehicle registration, a higher gasoline tax, new tolling policies, and a new vehicle-miles-traveled (VMT) tax. The attached table from the report summarizes the revenue expected from each option.

Raising vehicle registration fees and increasing motor fuel taxes to levels competitive with those in neighboring states or other higher fee states have limited potential to close the funding gap. Each can yield only between 3 percent and 8 percent of the needed funds. Raising gasoline taxes to a level well above that of any other state—50 cents per gallon—and increasing the MTA’s share of gasoline tax receipts would still yield less than one-quarter of the needed funds.

A new VMT tax and dramatically altered tolling policies such as those in the plan advocated by the Move New York coalition have the greatest potential to close the funding gap. The VMT tax charges vehicles based on the number of miles driven, and GPS technology allows the tax to be modified in the future to vary charges based on the congestion on the roads traveled. The Move New York plan lowers tolls on outer borough bridges and imposes new tolls at all entry points to the Manhattan central business district. The VMT tax and the innovative tolling policies generate revenue for road and bridge improvements as well as mass transit, with the VMT applicable statewide.

CBC urges New York's elected leaders to commit to such changes and develop a multi-year plan for implementation. CBC President Carol Kellermann said: "The region's economy depends on sound investments in its mass transit infrastructure; those investments require new revenue, and motor vehicle charges of some form are the fairest and most sensible way to raise the money."

CBC's Consulting Co-Director of Research, Charles Brecher, reported: "New tolling policies such as those advocated by the Move New York coalition or a newly designed vehicle-miles traveled tax are the best ways to raise the essential funding. Authority to implement these bold ideas should be approved in Albany this year."

The full report is available at [www.cbcny.org](http://www.cbcny.org).

*Founded in 1932, the Citizens Budget Commission is a nonpartisan, nonprofit civic organization devoted to influencing constructive change in the finances and services of New York State and New York City governments.*

## Options for Additional Motor Vehicle Cross-subsidy Revenue for the Metropolitan Transportation Authority

(dollars in millions)

<b>Tolling Options</b>	<b>Annual Revenue</b>	<b>Share of Added Annual Need Covered</b>	
		Lower-cost Scenario	Baseline Scenario
Conventional Toll Increases of 116 Percent	\$2,110	101%	100%
Move NY Fare Plan	1,016	49%	48%
<b>Motor Vehicle Fee Options</b>			
Motor Vehicle Registration Fee Increase of 169 Percent	68	3%	3%
MTA Supplemental Registration Fee Increase of \$25 and License Fee Increase of \$2	171	8%	8%
<b>Gasoline Tax Options</b>			
Gasoline Tax Increase to 42.5 Cents Per Gallon (Equal to Connecticut)	164	8%	8%
Gasoline Tax Increase to 50 Cents per Gallon, MTA Allocation Increased to 50 Percent	493	24%	23%
<b>Vehicle-miles Traveled Tax Alternatives</b>			
VMT Tax Replacing Gasoline Tax Including 50 Percent Premium for MTA Service Region	454	22%	22%
VMT Tax Replacing Gasoline Tax Including 50 Percent Premium for MTA Service Region and 100 Percent Premium for Manhattan	479	23%	23%
VMT Tax on MTA Service Region to Fund Recommended Motor Vehicle Cross-Subsidy	\$2,111	101%	100%