
# CBC Statement on the MTA's 2020 Final Proposed Budget and November 2020-2023 Financial Plan

*MTA remains in fiscally precarious position*

*Plan's out-year deficits likely understated due to optimistic assumptions*

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**New York, NY - November 14, 2019 -** Statement by Citizens Budget Commission (CBC) President Andrew S. Rein on the MTA 2020 Final Proposed Budget and November 2020-2023 Financial Plan:

> "The financial plan released today by the Metropolitan Transportation Authority (MTA) appears to show a minor improvement in its fiscal position; however, underlying this improvement are optimistic assumptions. While no service reductions are planned, the MTA is in a fiscally precarious position, with a financial plan that likely understates deficits that are increasing.
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> If all of the MTA's financial plan assumptions come to fruition, the MTA will face a cumulative cash shortfall of $637 million by 2023. While this is an improvement from the July forecast, which projected a $740 million shortfall, it is contingent on a continually growing economy; increased fare collections; new resources from New York City; timely and full implementation of the Budget Reduction and Transformation Plans; and a labor settlement with 2 percent annual raises.

There are real risks associated with each of these assumptions:

- Renegotiating paratransit agreements with New York City is expected to save $361 million, but the City is not legally required to fund the costs and has not authorized this expense.
- Projected savings for the Budget Reduction and Transformation Plans were reduced by $451 million to reflect the reality that these savings will be more difficult and will take longer to achieve.
- While real estate-related tax revenue projections grew by more than $200 million, Payroll Mobility Tax collections decreased by $144 million. Other taxes collected by the MTA, including sales taxes and new "mansion" taxes, are economically sensitive and will decline in a recession.
- Reducing fare evasion is expected to generate $200 million; however, prospects for achieving this target remain uncertain.
- A new labor agreement with the Transport Workers Union (TWU), the MTA's largest collective bargaining unit, remains elusive.

Failure to achieve any of these targets will deepen the MTA's fiscal troubles and may lead to undesirable service cuts or require greater fare or other revenue increases. It is important that the MTA move forward aggressively with the Transformation and Budget Reduction Plans to improve the efficiency and effectiveness of operations.

It is critical that the MTA negotiate a labor settlement focused on increased productivity with the TWU, since labor costs represent three-fifths of operating costs. Any raises negotiated in the settlement should be offset by savings from productivity gains and in health and welfare benefit costs so that there is a "net zero" impact on the MTA's bottom line. Taxpayers, motorists, and riders are all contributing to the MTA's fiscal turnaround, but it cannot be complete without the participation of its workforce."

For more information read *Watch the (MTA Budget) Gap!* and *Reform at the Bargaining Table*.