

CITIZENS BUDGET COMMISSION

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TESTIMONY BEFORE THE NEW YORK STATE SENATE STANDING COMMITTEES ON CORPORATIONS, AUTHORITIES AND COMMISSIONS AND INVESTIGATIONS AND GOVERNMENT OPERATIONS

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Good morning. I am Maria Doulis, a Senior Research Associate at the Citizens Budget Commission. The Citizens Budget Commission is a nonpartisan, nonprofit civic organization devoted to influencing constructive change in the finances and services of New York City and New York State government.

Thank you for the opportunity to testify today on the MTA's 2010-2014 capital plan. The MTA's capital plans are essential for the continual rebuilding of the mass transit system and for the enhancement of its operations. The proposed 2010-2014 plan, released by the MTA in August 2009, outlines over \$28 billion in investments, but identifies only \$18 billion in funding sources. Serious questions persist about the priorities of the plan and revenues for funding it.

The CBC recently completed a report on the implementation of the MTA's 2005-2009 capital plan that is instructive for considering the next capital plan. My remarks today are rooted in the findings of that analysis that pertain to the transparency, performance, planning, and financing of the plan. There are five key points I would like to make.

1. Lack of transparency makes it difficult for the public to evaluate capital projects. New reporting requirements mandated by the Legislature should be implemented.

Our analysis of the 2005-2009 plan found that the MTA does not collect or provide enough information to gauge the progress of projects in the plan. Available reports do not cover all of the projects in the plan, do not correspond to items and categories in the plan for covered items, and do not relate consistently to project milestones other than start and completion.

The MTA should commit to greater transparency in informing the public about the status of its capital projects. This capital plan should be implemented in tandem with an improved information management system for tracking capital projects that provides clear and consistent benchmarks. The MTA recently unveiled a "dashboard" tool for its website that will be an important first step in this process; the "dashboard" and/or other reporting tools should incorporate additional information such as the size of and reasons for cost overruns and delays, as required by the legislation passed earlier this year to implement recommendations in the Ravitch report.

2. The MTA's performance in managing its capital program has been mixed – both for rehabilitation projects and large mega-projects. The limited information that is available indicates that the MTA's capital work often runs into delays and often runs above budget.

Significant delays with mega-projects and communication technologies are often described in the press, but there have been notable delays with more routine capital work, such as the replacement of subway cars and maintenance of subway stations. For example, delivery of 400 replacement cars scheduled for March 2008 was completed eight months late and rehabilitation

of 73 stations scheduled during the last plan experienced serious delays. Of the five mega-projects, only the South Ferry Terminal has progressed substantially in accord with schedule, but at a cost that is 24 percent above the initial estimate. The cost of the Fulton Street Transit Center is nearly 90 percent above the initial estimate and five years behind schedule. Some important signal and communication projects are also 35-55 percent over budget. In contrast, costs were only 4 percent above initial estimates for the replacement of subway cars and for 11 completed contracts covering the rehabilitation of 31 subway stations.

The MTA should improve its capacity to manage mega-projects and improvements in signaling and communications systems. These are the areas of greatest delays and cost increases, and they account for large sums in the proposed five-year capital plan. New procedures and an expanded pool of personnel with relevant expertise are needed within the agency.

3. Poor management of some projects results in billions of dollars of authorized commitments unspent within the planned time horizon. The size of the proposed 2010-2014 plan may be too ambitious; it should be adjusted to the constraints imposed by the MTA's capacity to complete work within this time period.

At the end of the 2000-2004 plan, \$4.8 billion worth of projects, or more than one-quarter of the total plan, had not reached the stage expected when the plan was approved. Much of the work undertaken during the 2005-2007 period examined in the CBC report was for projects in the previous five-year plan. It is likely that a similar proportion of the work included in the current 2005-2009 plan will have to be extended into future years. The capital program should be amended using a pragmatic approach: the size of the plan should be downsized to reflect a realistic assessment of what can be accomplished.

4. Conservative estimates show that the rehabilitation needs of the transit system will be unmet by the five-year plan. Planning for the capital plan should be tied more directly to the needs assessment, and priorities should be altered in favor of achieving a state of good repair.

The capital projects included in the 2010-2014 plan are based on investment requirements identified in the new 20-years needs assessment for 2010-2029 released in August 2009. The MTA estimated the funding necessary to restore and maintain its assets in a state of good repair; however, the MTA did not report this "fully unconstrained" estimate to give a true sense of the magnitude of rehabilitation needed in the system. Instead the MTA released only estimates of need adjusted for what it would be able to accomplish.

This adjusted needs estimate is close to \$130 billion for the 20-year period, with \$32.2 billion in 2010-2014 and \$22.2 billion for New York City Transit alone. Again, these estimates are based on capacity to undertake the work with minimum service disruptions and do not state the full extent of the state of good repair backlog. The report shows that only two of New York City Transit's major investments categories – cars and mainline track switches – are in good repair, with most others experiencing maintenance backlogs greater than 25 percent. For some of these categories, the timetable for returning to normal replacement cycles exceeds the 20 year planning horizon.

It is clear that the current plan will not provide sufficient funding to make a dent in this backlog. This suggests that the plan's priorities should be re-examined, and the composition of the plan should be tied more directly to an unconstrained needs assessment (which the MTA should publish). Repair of critical infrastructure should be accelerated to the extent possible, which implies fewer resources would be available for other projects that expand the system.

5. **The capital plan is funded for the first two years, but then what?**

CBC has proposed a “50-25-25” model for financing mass transit services that calls for 50 percent of funding to come from riders; 25 percent to come from cross-subsidies from auto-users; and 25 percent from taxpayers in the form of general government subsidies.

Taxpayers are already doing more than their part. To increase the MTA’s bonding capacity for the plan, State leaders agreed on a payroll tax on regional employers, pushing the share of general tax subsidy above the CBC-recommended 25 percent. Even so, this additional funding essentially provides only enough to undertake work scheduled for the first two years of the capital plan; a funding gap approaching \$10 billion exists for the full five-year period. More funds can and should be raised from the farebox and from auto-users to support the capital program and operating needs.

Thank you. I would be pleased to answer any questions.