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Press Release

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IMMEDIATE

### MTA Releases 2009 Preliminary Budget and Four-Year Financial Plan

The Metropolitan Transportation Authority (MTA) today released its Preliminary Budget for 2009 and proposed Four-Year Financial Plan for 2009-2012. The MTA Board will not consider a final budget until December, but the July plan allows for an extended period of public discussion about the MTA's finances and budget proposals.

The proposed plan reflects sobering developments that have occurred since the last Plan was issued in February 2008, specifically rising fuel costs and the precipitous drop in real estate tax revenue to the MTA. The July Financial Plan assumes an increase of \$81 million in 2008 and \$127 million in 2009 for fuel costs, and reduced real estate tax projections of \$201 million in 2008 and \$242 million in 2009. These are the primary reasons that the \$216 million budget deficit projected in February for 2009 has grown to over \$900 million.

"The proposed plan acknowledges that despite the fiscal crisis we're facing, the MTA must first cut our own costs and tighten our belt before asking our customers or government partners for more money," said Elliot G. Sander, MTA Executive Director and CEO. "We have taken extraordinary measures to become a leaner organization, and we have asked all of our funding partners to help close the gap left by rising fuel costs and plummeting real estate revenues."

To close this gap, the MTA proposed a series of actions that spreads the responsibility among the MTA and its agencies, its labor force, governmental partners and customers, beginning with significant MTA cost-cutting. No service reductions were proposed.

- **MTA actions:** The Plan already assumes that each MTA agency will do significant belt-tightening, cutting costs by 6% over four years. These cuts come on top of 5% cuts made by the authority between 2004 and 2007. To help close the gap, the Plan proposes an additional \$45 million in cuts (\$15 million in 2008 and \$30 million in 2009). These cuts come even as ridership continues to rapidly grow.
- In addition, the MTA will take an inter-agency loan of \$135 million to reduce the gap in 2009 and 2010. \$120 million in funds that had been allocated from the 2006 surplus but not yet committed will also be transferred back to the operating budget in 2008 to be used for future gap-closing. Finally, MTA will reduce its subsidy to Long Island Bus by \$4 million annually, returning to its historical \$10 million allocation, and will begin charging official city, state and county vehicles at Bridge and Tunnel crossings, yielding an additional \$10 million annually.
- **Labor:** The plan assumes that MTA employees will make a modest contribution through negotiation of new contracts.
- **MTA Customers:** Customers would be asked to contribute through a fare and toll increase that would take effect in July 2009 and yield an 8% increase in fare and toll revenues. This increase would effectively move forward by six months the 2010 increase that had been announced as part of the MTA's plan to adjust fares and tolls every two years to keep them level with the rate of inflation.
- **Government partners:** The February Plan assumed additional governmental aid of \$600 million beginning in 2010; the MTA will now seek more than \$300 million of that aid in 2009, including a list of proposed changes:
  - Full reimbursement of lost fares (\$104 million) associated with providing peak-hour half-fare discounts to seniors (\$15 million) and reduced fares to school children, not currently reimbursed by the City or the State, (\$89 million). The City currently pays \$13.8 million annually for seniors and the State and City currently pays \$90 million annually (\$45m each) for school fare reimbursement, which has not changed since 1995.
  - \$113 million in 2009 from the City to increase its funding of Paratransit to 50%.
  - \$50 million annually from elimination of State real estate tax loopholes.
  - \$59 million between 2008 and 2009 in State tax restorations.

These represent a series of proposed changes that will improve the MTA's bottom line. It is not exhaustive, only illustrative. Other actions taken by the MTA's funding partners could substitute for these examples.

In addition, the MTA will ask the federal government to eliminate federal mandates that cost the MTA \$62 million annually.

As a result of these and other gap closing actions, the MTA expects to carry a \$15 million surplus into 2010, helping to lower that year's forecast deficit to \$250 million. Without these measures, budget gaps are expected to grow to more than \$2.3 billion in 2012, potentially requiring outsized fare increases and service cuts.

"The MTA's July Financial Plan is just the start of the discussion about our finances," said MTA Board Chairman H. Dale Hemmerdinger. "The Board looks forward to a productive public dialogue and will be working closely with the Ravitch Commission appointed by Governor Paterson to address the MTA's ongoing fiscal issues."

More information on the Plan is available online at [mta.info](http://mta.info). The complete plan will be online later this week.

