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Press Release

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IMMEDIATE

MTA Releases Final Proposed 2009 Budget, 2009-2012 Financial Plan

Weakening Economy Drives Deficit to \$1.2 Billion; Gap Closed with Admin. Reductions, Service Cuts, Fare/Toll Increase
MTA Awaits December Ravitch Commission Report to Stabilize Finances

The Metropolitan Transportation Authority (MTA) today released its Final Proposed 2009 Budget and November Financial Plan for 2009-2012. The MTA is required to pass a balanced budget by the end of the calendar year, and a final plan will be considered by the MTA Board at its December 17 meeting. The Board voted today to authorize the MTA staff to begin the public hearing process for potential fare/toll increases and service cuts.

The proposed budget addresses significant budget gaps in 2009 and beyond due to plummeting tax revenues, higher fuel costs and elevated debt service obligations. In anticipation of pending deficits, the MTA undertook numerous cost-cutting measures beginning last year, including integration of its three bus companies, consolidation of back office functions and a 6% reduction in controllable costs over four years. With the vast majority of the agency's staff devoted to service, operations and maintenance (only 7 percent are in administration), however, the impact of the recent economic crisis could not be covered without service cuts and fare/toll increases.

To bridge the gap, in addition to actions proposed in July, each MTA agency proposed 4.7% cost reductions, including at least a 5% reduction in managerial costs. Proposed service reductions were identified because they could be implemented without compromising safety or security, and still provide MTA customers with alternative options for reaching their destination. The remaining deficit was made up by a 23% increase in the revenue yield from fares and tolls beginning in June 2009. This increase is projected to generate approximately \$670 million in 2009.

"The budget presented today fulfills the MTA's responsibility to put forward a balanced budget for the coming year," said Elliot G. Sander, MTA Executive Director and Chief Executive Officer. "While we attempted to identify the least harmful cuts possible, they will be painful and no one at the MTA is eager to implement them. Even in a period of austerity, continued investment in the MTA's critical operating and capital needs must be a top priority for elected officials in Albany, New York City and Washington. That is why Governor Paterson appointed the Ravitch Commission, and we will work hard to ensure that its recommendations are implemented to restore financial stability to the MTA. It powers our economy and we cannot allow the system to move backward at this critical moment."

"The proposed budget presents the MTA Board with extremely tough choices that we must grapple with over the next month," said Chairman H. Dale Hemmerdinger. "We have an obligation to pass a balanced budget, but we all hope that service cuts and extreme fare increases can be avoided. We will be closely watching the Ravitch Commission and will support its efforts in any way we can, both on the operating budget and also on the critical capital program, which cannot be forgotten."

Before any gap-closing measures are implemented or prior-year carryover is included, the MTA's budget deficits are projected to reach \$1.441 billion in 2009, \$2.394 billion in 2010, \$2.647 billion in 2011, and \$2.972 billion in 2012. The budget gaps are to be filled through actions from the MTA itself, its employees, governmental partners and customers:

- **MTA Internal Actions Proposed in July:** The gap closing actions anticipated in July are continued. These include 6% non-service related cost reductions over four years, continuing the 1.5% annual reduction begun last year. In addition to belt tightening, a series of administrative reductions in hiring, travel and food, and telecommunications are being implemented in 2008 and 2009 at all of the agencies.
- **Labor:** The plan assumes that MTA employees will make a modest contribution to the plan through negotiation of new contracts. In addition, the plan expects efficiency measures, notably the Business Service Center, which will consolidate back office operations for all MTA agencies. This will require downsizing the workforce and this plan, as previous plans, provides funds to cover the expected cost of downsizing, but anticipates annual savings to begin in 2012. Savings are also assumed from other reorganization initiatives.
- **Cash actions:** MTA will take an inter-agency loan of \$135 million to reduce the gap in both 2009 and 2010, which it will pay back in 2011 and 2012. The plan also identifies funds that had been allocated from the 2006 surplus but not yet committed that will be transferred back to the operating budget in 2008 to be used for future gap-closing. Projects that would have used these funds will instead be included in the next capital program.
- **Government partners:** The plan proposes legislative changes to federal mandates for commuter railroad employees that, beginning in late 2009, are projected to save \$15 million, then roughly \$62 million annually without affecting employee benefits. The plan also continues to propose asking the State to eliminate tax loopholes affecting real estate transactions, which is expected to generate \$50 million annually beginning in 2009. However, the plan no longer anticipates the \$600 million in new State and City contributions beginning in 2010 or reimbursement for school fares and senior discounts, which had been expected to generate \$104 million annually beginning in 2009. Nor does it assume that the City and the MTA share paratransit costs, which would have provided \$113 million in 2009 and more thereafter or the restoration of the fall off in State tax aid.
- **Additional actions for budget balance:** To make up the remaining deficit, each agency identified actions to reduce their budgets by an additional 4.7%. Each agency identified additional administrative cuts that could be taken over and above the normal, recurring 1.5% reduction program

proposed in July (as discussed above). For the additional reductions, each agency was required to meet an independent target of no less than 5% of its managerial expenses. The proposed service reductions were guided by two principles: first, reductions should not compromise safety, security or reliability; and second, to target cuts to services where an alternative exists for customers to reach their destination. The proposed reductions, which are described in more detail in the budget documents, are summarized below.*

- MTA customers: Finally, the plan proposes a fare and toll increase designed to yield a 23% increase in fare/toll revenue in June 2009. The revised fare structure has not been determined, but will be developed and discussed in the coming months. The plan also assumes alternate year fare and toll increases starting in 2011 to keep pace with the growth in consumer prices.

- In addition, customers who use paratransit services and express buses, two services with extremely low fare recovery ratios, will see additional increases. Paratransit fares will increase to twice the regular Transit base fare, as allowable by law and consistent with other bus agencies, and express bus fares will increase from \$5.00 to \$7.50.
- The plan also increases Long Island Bus fares by 20% over and above the general proposed fare increase in the absence of additional support from Nassau County.

As a result of these and other gap closing actions, the MTA expects to carry a modest cash balance of \$65 million into 2010, with deficits still projected for 2010 (\$266 million), 2011 (\$454 million) and 2012 (\$608 million). Without these measures, budget gaps are expected to grow to nearly \$3 billion in 2012.

*Specific agency budget reductions include:

NYC Transit: Savings of \$167 Million in 08/09, \$280 million annually 2010-12

- 7.5% reduction in managerial, professional and clerical positions
 - On top of 1.5% cuts taken prior to service reductions.
- Subway reductions:
 - Route modifications – shorten G, operate N via Manhattan Bridge late nights, eliminate W and extend Q to Astoria, operate M to Broad rush hours, eliminate Z, add J local service.
 - Increased headways and loading guidelines during non-rush hours – headways increase from 8 to 10 minutes on ADEFGJMNQR on Saturdays and the ADEFGNQR on Sundays; headways increase from 20 to 30 minutes from 2 a.m. to 5 a.m.
 - Reduced station booth and station customer assistant staffing; elimination of enhanced station area track cleaning program.
- Bus reductions:
 - Reduce or eliminate low ridership services, especially during weekends or late night, and services that largely duplicate subway service.

Metro-North Railroad: \$35 million annual reduction

- Administrative cuts in management, clerical and other areas
- Increase loading guidelines and reduced service to both East and West of Hudson
- Maintenance reductions
- Reduce car and station cleaning

Long Island Rail Road: \$36 million savings in '09 and \$53 million annually 2010-12

- Reduce administrative positions
- Reduce ticket offices, sellers and windows
- Reduce train crew staffing
- Service reductions on special service trains and select weekend and off-peak trains
- Extend select maintenance cycles

Long Island Bus: \$5 million of savings in 2009 and \$6 million annually thereafter

- Reduce managerial headcount up to 10%
- Reduce/eliminate service on low ridership routes
- Savings associated with CNG and service contracts
- Increase employee health and welfare contributions

Bridges and Tunnels: \$17 million savings in 2009, \$59 million over the plan period

- Administrative savings
- Close some manual/cash lanes during low-traffic periods
- Reduce facility security and truck weight enforcement personnel
- Reschedule some bridge painting projects to align with structural work in the next capital program
- Eliminate the Cross Bay Bridge Rebate Program, reduce frequency of E-Z Pass paper statements, and tighten E-Z Pass controls

MTA Headquarters: \$9 million annual savings

- Reductions in managerial headcount, service contracts and purchases of goods and services.

The full budget will be available online soon at www.mta.info.