MTA Press Releases

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MTA Releases 2011 Preliminary Budget and Four-Year Financial Plan

Unprecedented Internal Cost Cutting Limits Fare Increase to Agreed 7.5% and Protects Service Quality; MTA's Financial Picture Remains Fragile with Many Risks; Labor Participation Critical to Plan

The Metropolitan Transportation Authority (MTA) today released its 2011 Preliminary Budget and proposed Four-Year Financial Plan for 2011-2014. The proposed plan reflects unprecedented internal cost cutting initiatives undertaken in response to a $900 million shortfall for 2010 resulting from cuts to State assistance and dramatic downturns in tax revenue. These shortfalls amount to more than $2.5 billion over the plan period. As a result of its cost-cutting actions, the MTA was able to limit the fare revenue increase to 7.5% in 2011, as agreed to with the Governor and Legislature in May 2009 as part of the MTA rescue package. The Plan faces many risks, however, including the need for labor participation to control wage and benefit costs. The July Plan is preliminary; the MTA Board will consider a final Plan in December.

The Plan relies on three key components. The first is the continuation and expansion of the MTA's cost-cutting initiatives, which have saved more than $380 million in 2010, translating into more than $500 million in annual recurring savings and growing to more than $700 million by 2014. The second key to the Plan is controlling labor costs, which make up 2/3 of the MTA's operating expenses. The Plan acknowledges that in the current economic situation wage increases must be tied to productivity gains or other cost savings. The Plan therefore assumes that all employees – both represented and non-represented – would receive a "net-zero" wage increase for two years. Finally, the Plan includes the 7.5% increases in fare and toll revenue in 2011 and 2013 agreed upon with the Governor and Legislature as part of the MTA rescue package approved last spring, which also included a series of new taxes to support the MTA and funding for the first two years of the MTA's 2010-2014 Capital Program.

"The foundation of this Plan is the most aggressive and comprehensive overhaul in the history of the MTA," said Jay H. Walder, Chairman and CEO of the MTA. "These actions have allowed us to hold true to our commitment regarding fare increases while maintaining the quantity and quality of service that New Yorkers rely on every day. The State's ongoing fiscal crisis is one of many risks to the Plan, but with continued hard work and the participation of our labor unions I believe that this Plan can be achieved."

The MTA was able to eliminate its 2010 deficit through a series of management actions, including:

- Eliminating more than 3,400 administrative and operating positions through layoffs, voluntary separations and elimination of vacant positions
- Freezing pay for management employees
- Increasing efficiency of paratransit and Bridge and Tunnel operations
- Reducing use of overtime
- Eliminating or deferring projects
- Consolidating functions
- Renegotiating contracts with vendors
- More efficiently managing inventories

These actions, the initial stages of a continuing effort to fundamentally overhaul the way the MTA does business, will mean recurring savings of more than $500 million in 2011, rising to $700 million in 2014.

Despite these savings, the Financial Plan remains subject to risks that could mean additional difficulties. The plan assumes that the health of the economy does not deteriorate significantly, and that the taxes that are collected by New York State in the MTA's name are paid to the MTA. Regardless, additional reductions will need to be identified through labor savings, as noted, and through elimination of shortfalls to subsidies for Long Island Bus.

Labor

Controlling wage and benefit costs have a critical role to play in stabilizing the MTA's finances. Wages, benefits and other personnel expenses account for 2/3 of MTA operating expenses. This financial plan assumes that each new labor contract will not impose any additional financial burden on the MTA for two years. This is intended as a clear statement that the MTA cannot afford to allow salary, wage and fringe benefit costs to rise in ways unconnected to productivity and the regional economy's ability to support the system. This, however, does not preclude the possibility of wage increases based on bankable productivity improvements or contributions to benefit costs. Consistent with this "net zero" labor initiative, non-represented employees will not receive a cost of living raise in 2010, which will be the second of two consecutive years without an increase.

MTA Long Island Bus

The MTA proposed budget assumes that Nassau County will fully fund its obligation to support Long Island Bus. Under a 1973 lease agreement, the MTA operates the system as a contractor working on behalf of the County, which owns the bus system. Through 1999, the County made up 100% of its funding obligation. But since 2000, when the County dramatically cut back its assistance for this service, the MTA has been forced to shoulder an increasing share of this cost, totaling $140 million. The MTA can no longer afford to subsidize this service, which would cost the MTA more than $25 million in 2011.

Proposed Fare and Toll Increases

Fare policy is designed to raise the necessary revenue while maintaining ridership as much as possible, minimizing impacts to lower-income customers, and increasing efficiencies of fare collection. The proposal below will be discussed at public hearings in the fall before a final plan is taken to the MTA Board for approval. The fare increase would take effect on January 1, 2011.

"Today's announcement begins a period of public discussion," Chairman Walder said. "We look forward to hearing from the public and reviewing the public comments as we continue to evaluate this proposal before we adopt the final budget by the end of the year."

New York City Subway & New York City Local Buses

Pay-Per-Ride MetroCards

- The base fare would remain unchanged at $2.25.
- The bonus discount offered on pay-per-ride MetroCards would fall to 7%, from the current 15%.
- Customers would need to put at least $10 on a MetroCard to receive the bonus, up from $8 currently.
- The effective fare paid by users of the pay-per-ride bonus discount MetroCard would rise to $2.10, from the current $1.96.
- The effective fare paid by express bus riders would rise to $5.14, up from $4.78 currently.

Unlimited Ride MetroCards

- For users of the 30-day unlimited-ride MetroCard, the MTA proposes to adopt one of two options.
  - A 30-day MetroCard offering up to 90 rides for $99.
  - A 30-day unlimited-ride MetroCard for $104.
  - Users of the 30-day unlimited card tend to have the highest incomes of all New York City Transit customers, and would continue to benefit from significant discounts on a per-ride basis as compared with pay-per-ride users. (A rider taking 90 rides in a month would pay $1.10 per ride under the $99 option, or $1.16 per ride under the $104 option.)
    - The median household income for users of the 30-day MetroCard is $63,000; for the 7-day card it is $38,000.

- For 7-day unlimited-ride MetroCards, the MTA proposes to adopt one of two options:
  - A 7-day card offering up to 22 rides for $28.
  - A 7-day unlimited-ride card for $29.

- In order to simplify options and retire ineffective discounts, the less popular one-day and 14-day MetroCards would be phased out.
  - The one-day Fun Pass is used for just 0.8% of subway and bus trips. The 14-day pass, is used for only 2.1% of trips. Proposed changes to the 7-day and 30-day MetroCards close the gap in per-ride cost, eliminating the need for the 14-day card.

Increasing Efficiencies

It costs 15 cents to collect every dollar the MTA collects in fare revenue. The MTA proposes two changes to help reduce this expense.

- To encourage customers to refill existing MetroCards instead of purchasing new ones, the MTA is proposing a charge of $1 to purchase a new MetroCard.
  - The MTA pays $13 million annually to print MetroCards, many of which wind up as litter.
  - This is a charge that any customer can avoid. It would not apply to those who refill an expired MetroCard by obtaining a new one, those who hold Reduced Fare passes, or to MetroCards sold at out-of-system retailers.

- Similarly, the MTA is proposing to institute a 25¢ charge for purchasing a paper single-ride ticket.

Long Island Rail Road & Metro-North Railroad

- Average ticket increases range from 7.6% to 9.4%, depending on distance and ticket type, in order to achieve a revenue gain of 7.5%.
- Most discounts for tickets purchased via the Mail & Ride and WebTicket programs would be eliminated.
  - Sales through these programs cost the MTA up to seven times more per ticket than sales through Ticket Vending Machines.
  - The discount for the joint Mail& Ride monthly ticket/MetroCard would be retained, but reduced.

- To help limit the size of the fare increase, the MTA is proposing to reduce ticket validity periods in ways that conform with policies of numerous peer railroads.
  - A one-way ticket would be valid for seven days (down from the current six months).
  - A ten-trip ticket would be valid for 90 days (down from the current one year).

- To speed up on-board fare collection processes, the cost of tickets purchased on board would be rounded up to the nearest dollar.
- The railroads would institute a fee to cover the cost of processing refunds.

MTA Bridges and Tunnels

- Cash tolls at the MTA's six major crossings and the Henry Hudson Bridge would increase by 50¢, and cash tolls at its two minor bridges would rise by 25¢.
- The MTA proposes to increase E-ZPass tolls for cars by 10% at all crossings.
- Resident discount programs increase proportionally.

Full details of the Financial Plan and fare increase proposal are available at www.mta.info.