MTA Press Releases

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MTA Releases Preliminary 2012 Budget, Plan to Fund Capital Program Investments

Internal Cost Savings Help Stabilize Finances, but Risks Remain; No Service Cuts or Fare/Toll Increases in 2012

The Metropolitan Transportation Authority (MTA) today released its 2012 Preliminary Budget and July Financial Plan for 2012 – 2015. The plan builds on last year's successful cost-cutting efforts, expected to yield $3.8 billion in cumulative savings by 2014, to achieve a balanced budget while avoiding service cuts and fare and toll increases in 2012. However, risks remain, including continued economic uncertainty and the need for labor participation to control wage and benefit costs. The Plan also acknowledges and addresses the need for an innovative and pragmatic financing strategy for the final three years of the MTA's 2010-2014 Capital Program. The July Plan is preliminary; the MTA Board will vote on a final budget in December.

"By keeping our focus on making every dollar count, this financial plan brings stability back to the MTA's finances," said MTA Chairman and CEO Jay H. Walder. "As a result, we're able to meet our commitments to avoid service cuts and fare increases next year. The savings also pave the way for a new funding strategy that will advance vital capital investments that protect the safety and reliability of our transportation network."

Financial Plan

The MTA's 2012 – 2015 Financial Plan relies on four key components: a continued focus on cost cutting; a three-year zero wage increase initiative that reflects new fiscal realities; continued implementation of biennial 7.5 % fare/toll increases in 2013 and 2015; and continued receipt of dedicated taxes and subsidies.

Continued Cost Cutting

The plan builds on $525 million in recurring savings achieved in 2010, with savings targets increasing in each year of the plan and reaching $799 million by 2015. Savings of $623 million in 2011 are being achieved by pursuing better ways of doing business including: rebidding health care contracts; rationalizing and consolidating IT functions; overhauling procurement practices; and improving inventory management.

For example:

$65 million will be saved by 2015 through IT efficiencies

Consolidating 34 data centers into 3
Shrinking number of servers from 2,600 to under 500
Merging seven email systems into one

$60 million will be saved by 2015 through better procurement practices
Eliminating 2,100 workstations, reducing cost by 28 percent
Eliminating 3,000 cell phones
Eliminating 325 vehicles from non-revenue fleet

These savings, together with a higher than projected favorable 2010 carry-over, higher subsidy and real estate receipts, debt service savings, and the release of $50 million from the MTA's General Reserve account for a $170 million 2011 cash balance that will be carried over to 2012. Cash balances in 2012 ($4 million), and 2013 ($125 million) will help address out-year deficits beginning in 2014 (-$54 million) and continuing into 2015 (-$178 million).

Despite these savings, the Financial Plan remains subject to risks that could mean additional difficulties. Economic uncertainty remains a concern. The MTA continues to have limited financial reserves and the Plan assumes that the health of the economy does not continue to deteriorate, and that the taxes that are collected by New York State in the MTA's name are paid to the MTA. The Plan is also predicated on labor settlements that include zero wage increases for three years. Long-term vulnerabilities include skyrocketing employee and retiree healthcare and pension costs.

Funding the Final Three Years of the 2010-2014 Capital Program

One of the biggest risks facing the MTA is its underfunded Capital Program. While the State's bailout of the MTA in 2009 provided funding for the first two years of the 2010-2014 Capital Program, the final three years remain unfunded. With no appetite for new taxes in New York State, the MTA today released an innovative, pragmatic financing strategy to fully fund the critical Capital Program.

The Capital Program is focused on achieving two main objectives: protecting the safety and reliability of the transportation system by maintaining and improving key infrastructure; and moving the "mega" expansion projects – East Side Access and the Second Avenue Subway – into service. These investments also provide a major boost to the New York State economy, generating a $44 billion economic impact, and creating jobs for manufacturers and suppliers across the state. More details on the program can be found at mta.info/capital.

Funding Strategy

The MTA's strategy for addressing the capital program's funding gap starts with making tough choices to stretch available investment dollars. In 2010, the MTA cut $2 billion from the program by reducing rolling stock costs, shifting to a component-based station rehabilitation program, and sharing shop space across agencies. Last week the MTA announced plans to double that savings to $4 billion, reducing the overall cost of the program to $24.2 billion while delivering its critical benefits. These savings will be achieved by reducing capital administrative staff by 15%, reducing the cost of train and bus purchases, and partnering with contractors and labor to reduce bid costs. In addition, the MTA is selling underutilized assets – like its Madison Avenue headquarters – to raise additional funds for the plan.

But these actions aren't enough to fund the final three years of the program. To that end, the MTA has identified an innovative and pragmatic financing strategy:

- Innovative federal loan: The MTA has applied for a $2.2 billion federal loan that benefits from low Treasury rates and utilizes longer maturity bonds that are appropriate for new infrastructure projects with long useful lives.
- MTA revenue bonds: The federal loan would be complemented by $4.7 billion in MTA revenue bonds.
- Manageable debt level: Existing capital funds – protected by ongoing MTA cost-cutting – would be used to repay the federal and MTA debt, creating no additional burden on the operating budget. In addition, during the period this debt would be issued, the MTA will be repaying $6.2 billion of existing debt.
- Ongoing local partnerships: In addition, ongoing support from the State, City and Port Authority add another $1.7 billion.
- Asset sales and other resources will provide an additional $.89 billion.

Along with federal grants ($4.1 billion), these sources provide the $13.6 billion needed to fully fund the remainder of the MTA Capital Program.

"We recognize that there's no appetite for new taxes in New York today, and that makes it all the more important that we find ways to make these investments as efficiently and effectively as possible," Chairman Walder said. "At the same time, we continue to pursue innovative and pragmatic ways to move investments forward with our federal, state and local partners, because we can't afford to eliminate or defer any of these critical projects."

Full details of the Financial Plan are available at http://www.mta.info/mta/budget/july2012.html.