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Press Release

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IMMEDIATE

MTA Presents Financial Plan Update

Budget Remains Balanced, But Long-Term Challenges Persist

The Metropolitan Transportation Authority (MTA) today released its 2013 Preliminary Budget and July Financial Plan for 2013-2016. The plan builds on cost cutting initiatives begun in 2010 – the most aggressive series of cost cutting efforts in the MTA's history – to help achieve a balanced budget in 2013 and reduce deficits in the years ahead. Those cost cutting efforts generated \$686 million in annual recurring savings in 2011; that figure is projected to grow to \$745 million in 2012, \$870 million in 2013, and \$1.13 billion by 2016.

The plan released today describes a fragile stability for the MTA budget, and it assumes that four key components will meet current expectations: continued receipt of dedicated taxes as projected, continued success of the MTA's savings initiatives, three years of net zero labor cost increases, and continuation of biennial fare and toll increases.

If those components hold, the MTA expects to virtually break even for 2012, with a positive cash balance of less than half of one percent of the operating budget, \$46 million that will be rolled forward to meet expenses in 2013. With continued success of its cost savings initiatives and three years of net zero labor increases, the agency projects a similar balance in 2013 and deficits of \$129 million in 2014, \$14 million in 2015, and \$231 million in 2016.

Despite the success of the MTA's cost-cutting efforts, the MTA continues to face large out-year deficits caused by increases to non-discretionary expenses: pension obligations, employee and retiree health care costs, paratransit and debt service. To help meet these growing expenses, the budget assumes a fare and toll increase in 2013 of \$450 million on an annualized basis, and one in 2015 of \$500 million annualized.

"I'm pleased that we will be able to keep the MTA's budget in balance despite our challenges, but I am concerned about the long-term trend in our expenses," said MTA Chairman Joseph J. Lhota. "The MTA's underlying cost structure is increasing for reasons that are beyond the authority's control, so we are depending on all stakeholders coming to the table to find ways to address those areas that we can control."

The budget assumes that MTA cost control initiatives will save \$870 million in 2013, and the public will be contributing nearly \$382 million in increased fare and toll revenue. The budget depends on the MTA's partners in labor contributing as well, by agreeing to three years of net zero labor cost increases, which will contribute \$227 million toward the MTA's bottom line in the 2013 budget. Raises would still be possible for unionized employees, but they would need to be offset by changes to costly work rules or increases to employee health care contributions.

Service Investments and New Ticket Policies

Taking into account all of the changes, the MTA plans to invest \$29.5 million in added service in the coming year through a series of previously announced efforts to add or expand bus, subway, and rail lines. In addition, this September, Metro-North Railroad and the Long Island Rail Road plan to extend certain ticket validity periods and refund periods, as announced this week.

Timeline

In November, the MTA plans to hold public hearings related to the 2013 fare increase and the proposed permanent extension of the G train to Church Avenue in Brooklyn. Also in November, the MTA Board will receive a presentation updating the budget forecast presented today. The MTA Board will vote in December to adopt a budget for 2013. A fare increase would take effect in March 2013.

MTA Aggressive Cost Savings

Among the many management actions the MTA has undertaken to reduce its cost structure are initiatives large and small. They include:

- Eliminated administrative positions by 20% at HQ and 15% at Agencies
- Froze non-represented wages since 2008
- Rebid NYC Transit represented employee healthcare program for first time in a generation
- Rebid all-agency dental and vision contracts
- Reduced unnecessary overtime
- Rationalized information technology applications and standardized computer purchases
- Eliminated 20% of mobile devices, 1,000 computers and 1,400 printers
- Reduced non-revenue fleet costs, eliminating 326 vehicles, and reducing the size of another 193 vehicles
- Reduced leased office space by 15%
- Eliminated high cost paratransit carriers, rebid contracts, increasing the use of taxis and livery services

In addition, the MTA is taking new steps to reduce costs.

- Encouraging the use of accessible buses and subways through the "zero fare" initiative for eligible paratransit customers
- Reducing fare evasion on buses
- Expanding credit card fraud controls to railroads
- Procuring goods and services on-line with E-procurement