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Press Release

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IMMEDIATE

### MTA Announces CARES Act Funding Exhausted Tomorrow

*Transcript: MTA Chairman and CEO Pat Foye Appears Live on CNBC's "Squawk on the Street"*

*Patrick J. Foye: "First, the MTA is facing a once in a 100-year fiscal tsunami, which has left our infrastructure untouched but destroyed and demolished 40% of our revenues. This is a national crisis, it requires a national solution. For the MTA our revenues have gone down about 40%. Good news is we received about \$3.9 billion, close to \$4 billion, of funding in the CARES Act... We're going to exhaust the last of the CARES dollars tomorrow. We'll get the last installment from FTA in August. To get us through the rest of the year--our revenues are two sources, \$17 billion agency. About half our revenues come from our customers fares and tolls, subways, buses, commuter rail and MTA Bridges and Tunnels. The rest come from a dedicated package of taxes and subsidies that the Legislature has put in place over the last period of decades. Both of those revenue sources are down. We need another \$3.9 billion from the federal government to close the deficit through the end of 2020."*

Metropolitan Transportation Authority (MTA) Chairman and CEO Patrick J. Foye today appeared live on CNBC's "Squawk on the Street" and announced the MTA will run out of CARES Act funding tomorrow.

*A transcript of the interview appears below.*

**Morgan Brennan:** The Metropolitan Transit Authority is facing a \$16 billion deficit over the next couple of years, in what amounts to the biggest financial crisis of its existence, and now announcing more budget cuts and asking for additional federal aid to get through. Our next guest says, quote, hard choices are ahead. MTA Chairman Patrick Foye joins us now. Chairman, thank you for being with us.

**Patrick J. Foye:** Thanks for having me.

**Brennan:** All right so the \$16 billion deficit through 2024. You just had a meeting yesterday about additional cuts and where those could take place, I guess outline those for us and also the fact that you are calling to the federal government for additional federal aid. How much can be done if that aid doesn't come through?

**Foye:** First, the MTA is facing a once in a 100-year fiscal tsunami, which has left our infrastructure untouched but destroyed and demolished 40% of our revenues. This is a national crisis, it requires a national solution. For the MTA our revenues have gone down about 40%. Good news is we received about \$3.9 billion, close to \$4 billion, of funding in the CARES Act. I think I'll make news now which is we're going to exhaust the last of the CARES dollars tomorrow. We'll get the last installment from FTA in August. To get us through the rest of the year--our revenues are of two sources, \$17 billion agency. About half our revenues come from our customers fares and tolls, subways, buses, commuter rail and MTA Bridges and Tunnels. The rest come from a dedicated package of taxes and subsidies that the Legislature has put in place over the last period of decades. Both of those revenue sources are down. We need another \$3.9 billion from the federal government to close the deficit through the end of 2020. The Heroes Act which the House of Representatives passed included that \$3.9 billion. The United States Senate is back in session and we're hoping that transit agencies, and I'm hoping especially the MTA is going to receive an additional \$3.9 billion to close the deficit through the end of the year.

**Brennan:** Yeah and of course the MTA, as you just mentioned, does cover the New York Metro area, but it is the largest public transit authority in the country, so this is being watched very, very closely right now. I wonder though, when you hear about demographic shifts: people that are moving out of, say, Manhattan into the suburbs or other parts of the country right now, the fact that the City overall is facing huge deficit issues of its own. How are you counting for population in your deficit estimates? And what do you anticipate over the coming years in terms of structural changes to the way the MTA operates within the city and the area?

**Foye:** Good questions. Our ridership obviously at the depths of the pandemic just fell off a cliff, precipitous declines. On subways, we're now carrying about 1.1 to 1.2 million customers a day. Same thing on buses. We're about 50% of pre-pandemic levels on buses and about 20%, over 20%, on subways and buses. Lesser percentages on the commuter rails and we're basically down about 20% on MTA Bridges and Tunnels, which is a significant source of revenue and operating surplus which goes to fund mass transit, which obviously is a deficit making operation. To the extent customers move to the suburbs around New York we obviously serve them now and will continue to serve them. In 2021 we've got a budget cutting program in our financial plan already includes \$800 million of additional cuts. We've identified over the last month or so an additional \$340 million. I'm certain that we can do more but even at \$1.1 billion, which is what that aggregates for 2021, we can't cut our way out of this. McKinsey estimates that our 2021 deficit is about \$6.5 billion. We can make contributions in terms of expense cuts, and the MTA as reduced expenses by a total of \$3 billion on an annual recurring basis over the last period of years, we're adding another \$1.1 billion in 2021, but we desperately need federal support and when we need it in the short term. As I noted, we're out of the CARES Act funding.

**David Faber:** Mr. Foye, it's David Faber. As a lifelong New Yorker and someone who took the subway three times a day prior to the pandemic I know how central it is to the economy of the entire region, not to mention just the city. You keep mentioning you need a this is what Secretary Mnuchin said earlier on CNBC today, quote, the President is not going to bail out Chicago and New York and other states that prior to the coronavirus were mismanaged. What's your response to that?

**Foye:** Here is what I'd say. In 2020 we--prior to the pandemic, we had an operating surplus we expected of about \$80 million. That's a small number on a \$17 billion enterprise but we would have made a small operating surplus, one. Two, ridership on the subways and the commuter rails was at record levels. Three, on-time performance had increased every month for the last 12 months prior to the pandemic--and actually, on-time performance continues to be high in the pandemic period, but obviously we're carrying a lot of, a lot fewer customers David. The point I would make is, while the MTA has had fiscal crises in the past, no fiscal crisis is ever equated to what we're facing in the one in a 100-years fiscal tsunami. We are not, we have not been mismanaged, we're going to take an additional billion dollars, \$1.1 billion, of expense out in 2021. And to our credit, we've taken over \$3 billion of expenses out on an annual recurring basis. We will do our part at the MTA but this is a national crisis that requires a national solution. Other governmental entities around the country may be mismanaged and maybe should not be funded, that's not the case of the MTA. Last point I would make David is the MTA is really critical and pivotal to the recovery of the New York City regional economy and I'd say the national economy, given that about 10% of GDP is generated in the New York region.

**Faber:** Yeah. Well an important component of course of your overall budget was also spending to modernize the New York City subway, an enormous capital project. I would assume that is in dire danger of not being able to be executed.

**Foye:** It's at real risk, you're right. The Board approved a \$51.5 billion capital plan last year, highest by far in the history of the agency. Would have increased accessibility on subways dramatically, re-signaling a great part of the system and would have touched subways, buses, Long Island Rail Road, commuter rails, largest electric bus order in the history of the nation. The capital plan is on pause as a result of the pandemic and challenges to various revenue sources that constitute the funding for that \$51.5 billion. Look, I too have lived in New York. I've ridden the subway since I was a kid, I've ridden, I ride the Long Island Rail Road for the last 30 years. We've all seen a movie as to what happens with the MTA when investment is not made in state of good repair and in increasing--improving the system and increasing capacity. No one wants to watch that movie again because that has consequences that lasts years and decades.

**Carl Quintanilla:** Speaking of which, Patrick, I don't know if you saw this report out of the Partnership for New York, which found that a quarter of office employers intend to cut their footprint in the city by as much as a fifth. So assuming that you get financing to get past this crisis, but that structurally ridership comes down for good, what kind of service cuts could we be looking at for the long term?

**Foye:** Look, I read the Partnership report of course, I read everything the Partnership publishes. Look, the--remote working is going to be a challenge to urban centers around the world. I've lived in New York City my entire life. I'm bullish on New York, I believe that New York will recover. It is not going to happen in a period of weeks or months but New York will recover and we will provide the service that's necessary for our customers at whatever levels of customers are riding subways, buses, Metro-North and Long Island Rail Road. If we have to increase it, we'll do that. If it makes sense to downsize it as a financial matter, we will do that and we'll be sensitive to the growth in ridership---subways, buses---across the entire system. We will right size the system. We will do what we need to do to cut to expenses, the \$1.1 billion that I mentioned, but to get through this we're going to need continuing financial support from the federal government.

**Brennan:** Yeah, Patrick, I mean, you mentioned the continuing financial support from the federal government, the fact that the CARES Act funding runs out tomorrow. The MTA in general is a huge player in the municipal bond market as well. I think, what, \$45 billion in outstanding debt. You were able to do another raise back in early May. Is that something that's on the table for you again? And I ask in part because many retail investors are in the muni market and certainly what happens with the MTA has ripple effects to that broader market.

**Foye:** There's no question. We have a substantial amount of municipal debt. Standard and Poor's downgraded us and other transit agencies, we're now a triple BBB+ credit. Our bonds have traded up following the latest offering. We believe that with the federal support and the actions that we're going to take we will be able to, to make progress to close the deficit which is created by the pandemic: reduction in toll and fare revenue, reduction of dedicated package of taxes and subsidies. We're going to do everything we can but the deficit is so large that we can't cut our way out of it. And we will right size service as we have done during the pandemic when we were carrying essential workers and first responders. But we need federal support this year now that the US Senate is back in session, we believe that they will pass. I'm cautiously optimistic we have importantly the support of Minority Leader Senator Schumer from the great state of New York, who is committed to obtaining \$3.9 billion of funding for the MTA. And that's really pivotal to our recovery, and to the recovery of the New York region.

**Brennan:** Yeah. Well we wish you luck as you navigate this. Patrick Foye, Chairman and CEO of the Metropolitan Transportation Authority. Thank you for joining us today.

**Foye:** Thanks for having me.