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STATE OF NEW YORK
ALBANY 12247



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May 16, 2011

The Honorable Thomas DiNapoli
State Comptroller
110 State Street
Albany, NY 12236

Dear Comptroller DiNapoli:

I would like to take this opportunity to thank you for your efforts to hold the MTA accountable for its waste and inefficiency. Your office has conducted several audits of this failing New York City based entity and has identified many ways for the MTA to become more efficient.

The purpose of this letter is to request that your office initiate a thorough top down forensic audit with a much broader scope than ever before. The taxpayers and commuters of the 12 county MTA region would greatly benefit from this action.

On March 15, 2011, the State Senate adopted its one house budget resolution including a provision calling for an audit of this magnitude to be initiated within 60 days of the adoption of the budget. Unfortunately, this did not make it into the final budget agreement reached a couple weeks later.

This audit is necessary to identify additional ways for the MTA to cut costs without cutting services. Instead of funding this failing New York City based entity with payroll tax bailout funds, the MTA should be forced to do a better job tightening its belt. The MTA Payroll Tax should not have been passed in 2009 and should now be repealed.

This debate should not be about replacing revenue. It should be about cutting expenses. Rather than focusing on how the MTA can do more with more, the MTA should focus on doing more with less. That's the economic reality of the times we are now all living through.

MTA Chairman Jay Walder has repeatedly suggested that if the payroll tax is repealed he would be left with no choice but to cut services and increase fares. I simply do not buy this argument and strongly believe that the MTA can and should survive with less taxpayer funded subsidies.

While your audit is underway, which will obviously take some time to conduct, the MTA could independently pursue a variety of potential sources of savings on its own. Several areas can be examined. Some may be feasible. Some may not, but all should be considered. These include:

- Eliminate overtime abuse- well over \$400 million is spent on overtime annually;
- MTA should share in enforcement camera fines in MTA bus lanes;
- Competitive bidding/ privatization of NYC bus system;
- Public/private partnerships;
- Reduce outside litigation costs by increasing utilization of in-house attorneys or the NYS Attorney General's office;
- Sell some of the MTA's capital assets currently valued at over \$50 billion. The MTA is considering a sale of its headquarters and two other buildings for at least \$150 million. At least dozens more may be ripe for sale as well;
- Reduce the cash and investment float, which amounts to billions;
- Reduce the amount of managers and supervisors, which is currently over 10,000 of the MTA's 66,000 employees. A retirement plan or workforce reduction plan should be considered. A ratio of one manager/supervisor for every six employees is excessive;
- Crack down on pension padding where possible. Unjustified pension liabilities are a significant source of long term cost increases;
- Cashless tolls throughout the system;
- Reduced "vacancy/absentee" coverage of MTA Bridges and Tunnels; and
- Improve the -process for approving personal and miscellaneous services contracts, which cost an average of \$1.5 billion annually or up to 15 percent of the MTA's annual operating budget in recent years. You have previously suggested reducing personal and miscellaneous service contract costs by 10 percent, which would save approximately \$176 million annually.

I would appreciate your feedback with regards to any and all of these items listed above.

The MTA constantly devours more and more taxpayer and commuter revenue while providing less and less service. The MTA Payroll Tax is simply the latest example of this dysfunctional pattern.

Back in 2009, as the housing market cratered, the MTA faced declining revenues from the mortgage recording tax and other existing tax sources. The Authority's first and only reaction: Blackmail the State Legislature into providing still more tax revenue or punish residents with higher train, subway and bus fares, and service cuts. The State Senate and Assembly immediately complied. The MTA got their new payroll tax, and still hit us with fare increases, toll hikes, and service cuts anyway.

The Legislature wasted an opportunity in 2009 to compel real reform from the MTA before rewarding them with new tax revenue. Even worse, the MTA's new revenue comes from a tax on jobs – a terrible idea in a time of high unemployment. Now that I am in office, I want to

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correct these mistakes by my predecessors. We need to repeal the economically destructive MTA Payroll Tax and demand that the MTA reform its own operations instead.

Fortunately, the real estate transfer collections are once again increasing due to a recovering economy. As these collections come in above the MTA's projections this will provide much needed revenue which should reduce its dependence on the payroll tax.

Last week I attended a Senate Investigations and Government Operations Committee hearing at SUNY- Old Westbury regarding MTA finances. Thank you for sending your Deputy Comptroller to testify. At that hearing, Chairman Walder discussed how the MTA is also facing a \$10 billion dollar deficit in its Capital Program, which is what they call their schedule for new construction, maintenance, and equipment purchases. Chairman Walder identified some specifics of how he plans to reduce this deficit. Many of these initiatives are in addition to the ideas suggested above and will also have the long term effect of improving the MTA's operating efficiencies and reducing its dependence on the MTA Payroll Tax bailout.

At a Senate Transportation Committee meeting in February that I attended, Chairman Walder discussed how he plans to achieve an additional \$475 million in cost savings. I remain very interested in reading the specifics of how he plans to achieve these savings and encourage him on these efforts. This is called the "new MTA efficiencies" schedule and should be fast tracked as much as possible. Chairman Walder reconfirmed that this was absolutely possible at last week's hearing at SUNY-Old Westbury.

Meanwhile, I pledge to do my part to encourage the Legislature to consider any reasonable mandate relief proposals that can help further reduce MTA expenses.

This is a time where federal, state, and local governments are all tightening their belts. Businesses, families, and individuals are doing so as well. It is time for the MTA to do more to cut expenses and become more efficient and self-sustaining. I will do everything in my power to help lead the fight for more MTA accountability and reduced dependence on government subsidies like the MTA Payroll Tax.

I hope that after your deliberation of this request you decide to initiate a thorough top-down forensic audit of the MTA. Thank you for your attention to this urgent matter.

Sincerely,



Lee M. Zeldin
State Senator, Third Senate District

cc: Senate Majority Leader Skelos