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2 collection of over twenty different previously
3 independent organizations that was brought
4 together in mergers over the last forty years.

5 We've grown very good at doing
6 the merger part. However, I'm afraid that we
7 haven't been as good at the part that some people
8 refer to as post-merger management. That's the
9 part in which you find the synergies between your
10 companies. It's the point at which you find the
11 redundancies and it's the point at which you
12 eliminate the redundancies.

13 And my point here is that the
14 MTA needs to operate as one entity. It needs to
15 make the best use of all of its facilities as one
16 entity to be able to provide an efficient,
17 effective service across the Metropolitan region.

18 And I don't believe we are doing
19 that right now.

20 My commitment to the Legislature
21 and my commitment to the people of New York is
22 that we will spend every dollar wisely. My point
23 was, as I sit here today, having -- just really
24 telling you the situation that I've inherited, I
25 would feel it would be difficult to tell you that

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we have achieved that goal right now.

ASSEMBLYMAN McDONOUGH: Yes. I understand that.

And you also went on -- let me say, I'm from Long Island where we feel that we're in the twelve Downstate counties. And the people there, while it sounds like thirty-four cents a hundred, when you talk to some major institution, their hit was \$1.2 million, a hospital in our area. So this is a very big tax.

So we hear a lot about it in the twelve Downstate counties, especially in my area of Long Island.

You mentioned that we have too many managers and you are doing what you can. You said you have over 5,000 administrative people.

And I saw in this past year when this whole issue started coming up, I saw a list of the top, let's say, payroll. And it seems to me to be very heavy.

And then when you say here that you've got 5,000 people and you think that maybe you've got too many and you are doing something to reduce that number, is that something down the

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road or have you started?

MR. JAY WALDER: I'm working on that as we speak. I've been working on it since I've arrived.

To be able to -- so let's take each piece, different pieces of what you've talked about.

I mentioned earlier, for example, that if you wanted to call the MTA right now, we have ninety-two different, separate call-in numbers. We have five different call centers. If you called the number from Long Island and asked for information about the Long Island Rail Road, we would happily give that to you.

If you said, for example, can you also tell me about the bus from Penn Station to where I want to go, we would give you another phone number to be able to tell you to do that.

In today's world with the technology that we have, there is no reason why we should be doing things like that.

We operate today over a hundred different storerooms for the MTA. The cost of maintaining these storerooms effectively adds .18

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2 cents on the dollar to the cost of the materials
3 that we have.

4 Now, clearly, we need parts and
5 materials to be able to repair our fleet and to
6 do other work. But modern companies don't operate
7 storerooms in quite that way. They use inventory
8 control. They move things around in an efficient
9 way. We know that we could literally put
10 something into a FedEx envelope and have it in
11 another spot in the region by 10:30 the next
12 morning. We can move things around much more
13 efficiently than we are doing right now.

14 And we have to find the ways to
15 be able to do those things. They're reflective of
16 needing to be one MTA.

17 Let me give you one more
18 example. We currently today in our capital
19 program make investments to build our maintenance
20 facilities for each one of our railroads
21 individually. We don't actually ask the question
22 as to whether or not the maintenance facility
23 we're building at MetroNorth can also handle the
24 rolling stock or some of the rolling stock for
25 Long Island Rail Road or New York City Subway for

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that matter, or vice-versa.

As we make these investments, we must find a way to be able to look at this and say we may not need three of everything or four of everything. We may well be able to do with one and we may well be able to do things much more efficiently.

And that's part of being one company rather than being separate parts of the MTA.

ASSEMBLYMAN McDONOUGH: So that's something that you are starting not only to look at but to try to implement?

MR. JAY WALDER: That is correct.

ASSEMBLYMAN McDONOUGH: I know that after we passed what you call the rescue package, you then had a few months later a union collective bargaining agreement on wages and that sort of threw things a little off. As I understand, that went to arbitration and they were successful.

And correct me if I'm wrong, but you or somebody came back over there and said,

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oh, this two-year thing that we thought would last is not going to last now. And that was only what I would say months after the bailout that the State did.

MR. JAY WALDER: Again, to be clear on the labor situation you described, the bargaining with TWU Local #100 reached impasse - again, this is before I had arrived, but just to tell you the history of what's there - the bargaining with TWU Local #100 had reached impasse. It went to arbitration. A ruling came out during the summer post the package that had been enacted from the arbitration panel essentially providing for 11.5 percent increases over three years for that local.

The MTA Board took a decision after I arrived to challenge that in court. The Taylor Law has two provisions. One provision is for binding arbitration, the second provision is for court confirmation of the arbitration decision. And the arbitration decision has to be consistent with the statutory basis for that decision.

One part of that statutory basis

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2 is ability to pay. And clearly the MTA's ability
3 to pay has been very difficult for reasons that
4 we've been discussing.

5 At the end of last year we
6 received word from the State Supreme Court that
7 the arbitration had been upheld and we
8 subsequently have taken a decision to appeal
9 further to the Court of Appeals part of the
10 arbitration decision.

11 So part of it remains in
12 abeyance, part of it is now being paid to our
13 employees and will be paid in March.

14 The part that is continuing to
15 be appealed has to do with the third year of the
16 contract for which there was no pattern that had
17 existed previously and has to deal with the
18 scaling back of employee contributions for health
19 care, which had been a topic that was previously
20 negotiated and then scaled back in this
21 arbitration. So we will be continuing in that
22 way.

23 ASSEMBLYMAN McDONOUGH: Well,
24 thank you very much.

25 And just one additional thing,

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if you care to comment, on the Governor's proposal that you have in front of you of this .17 and .54 cents deal.

Do you have an opinion on that? Would you favor that or not?

MR. JAY WALDER: I believe that the actions of the Governor to be able to get additional resources to the MTA are appreciated. The recognition that the payroll tax is not achieving the outcome that had been expected by the Legislature and the Governor when the rescue package was put forth in May is important.

As to the distribution of that tax between the City and the suburban areas or any other provisions of that, I believe that that's an issue for the Legislature and the Governor and not an issue for the MTA.

ASSEMBLYMAN McDONOUGH: Okay. I figured you would say that.

Thank you very much.

Thank you, Chairman.

SENATOR KRUEGER: Senator Chuck Fuschillo.

SENATOR FUSCHILLO: Thank you,

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2 Chairman Walder, and thank you for being here.

3 It's easy to recognize that your
4 challenges are enormous. I mean besides the
5 financial disaster and the economy we're in,
6 there is a public perception out there about the
7 MTA - a bloated bureaucracy that completely fails
8 its ridership. I'm sure you hear the sentiment of
9 my constituents as well as others throughout the
10 Metropolitan region.

11 Quite frankly, they're disgusted
12 that they are paying more and getting less. And
13 your challenges are enormous, and we'll talk
14 about some of your proposed cuts.

15 I'm glad you recognize the
16 redundancies. And I read your report about every
17 penny counts and I compliment you on that. And I
18 hope that when you're completed, there's a
19 significant reduction in the total overall cost
20 because you highlighted stuff in there that I
21 didn't even know existed. And your brief review
22 is somewhat impressive and I compliment you on
23 that.

24 I wanted to ask you a couple of
25 questions if you don't mind.

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2 You talked about the
3 redundancies and you mentioned that there's more
4 than 5,000 people doing administrative tasks and
5 it's simply too many. I mean I agree with you.
6 I'll be your biggest cheerleader on that.

7 And then you talked about other
8 proposed layoffs and you said they'll have to be.

9 Have you set a timeline for
10 eliminating these redundancies in the
11 administrative staff and also for layoffs as
12 well?

13 MR. JAY WALDER: We are working
14 now and have been working since the beginning of
15 the year to be able to deal with the
16 redundancies.

17 I do not have a firm timeline
18 and we're working through a fair good of detail
19 to be able to do that, but clearly those changes
20 will be taking place during this year.

21 In regard to layoffs, I think
22 that there are potentially layoffs both in regard
23 to administrative staff and in regard to
24 operating staff.

25 One of the areas that the MTA

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had enacted in 2009 was a proposal to be able to reduce station agents. That proposal was being carried forth or executed through attrition. Given the severe financial crisis that the MTA finds itself in today, I don't believe that we can continue to do that through attrition and I think we'll see layoffs that will take place on that in the relatively near future.

You will also, as a result of some of the changes that are going forth through public hearings and ultimately for adoption by the MTA Board, if adopted, some of those changes on service will also result in layoffs in order that we can generate the savings in the time frame that is required to be able to do this.

The critical point here, Senator, is that time is short. The difficulties that the MTA faced came to us, first at the end of last year, and then now only last week. But these holes must be solved within the time frame of 2010, and waiting for things to happen through attrition will not be consistent with that.

SENATOR FUSCHILLO: You noted also in your opening statement about you spend

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more than \$500 million in overtime and
Comptroller DiNapoli also highlighted that as
well, that this needs to be fixed and eliminated
and corrected.

What are your plans to do that?

MR. JAY WALDER: We are -- we
are reviewing all overtime right now. There are
many reasons why overtime occurs.

As I indicated earlier, we have
-- one of the reasons why overtime occurs, which
we would all sit here and say is perfectly
legitimate, is in front of us right now. We're
expecting a major snow storm in New York
tomorrow. We have people already on overtime
getting ready for that snow storm, getting the
equipment up and running. We're going to look to
run additional trains, for example, out on Long
Island.

Tomorrow we will run a holiday
schedule and earlier train schedule with extra
trains from the middle of the afternoon because
we believe that employees will be leaving early
given the snow storm.

Those are the right things to

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2 do. We should be doing that and we have to incur
3 overtime to do things of that nature.

4 But overtime can also be a drug
5 in the organization. It can be the way in which
6 we do things that may not be as thought out as
7 they need to be and we are now challenging the
8 use of overtime, going through all the things
9 that we're doing. And I believe we'll be able to
10 significantly reduce the overtime expenditures
11 that are there.

12 SENATOR FUSCHILLO: Do you have
13 any estimate?

14 MR. JAY WALDER: I don't yet,
15 Senator. I mean we've just gotten into this. And
16 I think if I gave you an estimate, I'd be pulling
17 the figure out of the air and I don't want to do
18 that.

19 SENATOR FUSCHILLO: Let me ask
20 you a question.

21 A few years there was a big
22 issue about keeping double books at the MTA. How
23 should the public obtain any level of confidence
24 that that's still not going on?

25 MR. JAY WALDER: I think

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through the transparency that the MTA is now putting out with all of its financial information. I think the transparency is truly unprecedented.

One of the first actions that I did when I became Chairman was to work with the MTA staff to be able to redesign our website. That redesign took effect last month, has been very, very well received.

But I think one of the things that it does is to be able to provide much clearer service information for everyone. That's true.

The other thing that it's doing is giving a much clearer focus to some of the financial information that's there from the MTA as well.

I think there's transparency that answers the question about two sets of books. I think that question has been answered many times over. I think it's time for us to get past the question of two sets of books.

The reality is the MTA is in an increasingly difficult financial situation. It is

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taking hard decisions.

SENATOR FUSCHILLO: Right.

MR. JAY WALDER: We don't like those decisions. I understand why. But we have no choice but to move swiftly and to take hard decisions. We should follow public process in the way that we are doing it. We should be transparent about the information that's there. We should engage with communities. That's the way I think that you restore the public confidence.

SENATOR FUSCHILLO: I agree.

The revenue shortfall you talked about, the \$400 million, is based on, you had said, the Department, the Division of Budget. Do you rely solely on their estimates?

MR. JAY WALDER: The estimates for the tax resources coming to the MTA, which are the MTOA taxes, the petroleum business tax, the real estate taxes and the newly-enacted payroll mobility tax do come from Taxation and Finance.

SENATOR FUSCHILLO: Do you have

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MR. JAY WALDER: We do not have

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2 an independent tax estimating unit within the
3 MTA. We do rely on the State.

4 SENATOR FUSCHILLO: I haven't
5 seen the Governor's press release on the shift.
6 He's getting it. He's not there yet. I mean he
7 cuts what's happening to the suburban communities
8 in half. He's half way there, Chairman. And I'll
9 state that publicly because I didn't support it.
10 You can't tax your way out of recession. You're
11 hitting people -- and you and I discussed this
12 and my feelings on that. And I did not support
13 that and I still think it's wrong.

14 That's why I say the Governor is
15 getting it half-way and he's still got a little
16 way to go to do what's right, especially in the
17 suburban communities but throughout the entire
18 Metropolitan region.

19 But my understanding is you're
20 not gaining any revenue from this shift unless
21 there's something else in the press release that
22 hasn't been reported. I mean he's shifting half
23 of the cost that he's taking away from the
24 suburban communities to the City; am I correct?
25 You're not gaining any revenue, are you?

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MR. JAY WALDER: The Governor's estimate, or I should -- I believe prepared by Taxation and Finance in the Division of the Budget is that there would be a net additional revenue of \$230 million annually for the MTA, which would restore the payroll mobility tax to the levels that had been expected and anticipated at the time that the MTA bailout package, rescue package, was enacted this past May.

SENATOR FUSCHILLO: Where is that coming from?

MR. JAY WALDER: To be clear, Senator, I'm merely reading from the press release. I do not have any independent judgment on this. I don't have any independent basis of it. I won't be able to give you that.

SENATOR FUSCHILLO: Okay.

MR. JAY WALDER: I just had the opportunity to print it. And so I did that.

SENATOR FUSCHILLO: Okay.

I don't necessarily agree with that because the revenue estimates are not coming in what they were. This economy is still suffering greatly. Companies are closing down.

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Small businesses are closing down. Unemployment is still at a record high. The revenue is not going to be derived, whatever their estimates are.

Do you support a commuter tax, reinstatement of the commuter tax?

MR. JAY WALDER: I haven't taken any position or thought about the commuter tax.

SENATOR FUSCHILLO: Okay.

MR. JAY WALDER: I know it's a topic that was dealt with by the Legislature any number of years ago. And it hasn't actually come back to my focus at all.

SENATOR FUSCHILLO: What about congestion pricing? Do you support that?

MR. JAY WALDER: I think that in the circumstances in which there is a political consensus to do congestion pricing, it can have transportation benefits.

SENATOR FUSCHILLO: Did you practice that response? Did you think I was going to ask you that today?

MR. JAY WALDER: It's a

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2 response that I think you and I practiced once
3 before.

4 SENATOR FUSCHILLO: You gave
5 the same answer a few months ago.

6 SENATOR KRUEGER: Yes, but he's
7 already confirmed, Chuck.

8 SENATOR FUSCHILLO: He's
9 confirmed, right.

10 The recent downgrading of some
11 of the MTA bonds, how will that affect you?

12 MR. JAY WALDER: At the time
13 last week when we first became aware of the
14 shortfall in the PMT, we were in the process of
15 selling bonds at that point in time.

16 That made that an immediate
17 disclosure event. Dave Moretti, who is sitting
18 here with me, immediately worked with bond
19 counsel as well as State Division of Budget to
20 make sure that we had provided full information
21 to the market in regard to that.

22 We undertook a process of
23 meeting with or having conference calls with each
24 of the rating agencies.

25 One of the rating agencies,

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Moody's Investors Service, downgraded the MTA bonds from A2 to an A3. The other two rating agencies, Standard & Poor's and Fitch, both indicated they would hold although they wanted further discussion with the MTA, which David and his team will be undertaking over the next week or so.

The effect of the downgrade we think in the pricing for the bonds was an impact of about five basis points in the long-term end of the transaction. I don't think there was an impact on the short end of the transaction. But about five basis points in the long end.

That's accurate, right?

MR. DAVID MORETTI: Yes.

SENATOR FUSCHILLO: Which hopefully at some point refinancing to recoup that.

MR. JAY WALDER: But, you know, there is no question that, you know, we will -- the ratings are important for the MTA. Our access to the markets are critically important to the MTA. And, you know, we are seeking to, within our best ability, to give the market confidence in

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2 the MTA's ability to be able to repay its debt.

3 SENATOR FUSCHILLO: Where are
4 you at with correcting the gaps? You know,
5 obviously on Long Island there's been a big issue
6 about individuals falling through the gaps and I
7 know there has been some significant
8 improvements.

9 But just last week we just had
10 another commuter in Syosset in Senator Carl
11 Marcellino's district again at that station fall
12 through the gap. And I know there's always been a
13 concern there with the way the train comes around
14 the curvage over there.

15 What are you doing to correct
16 that situation? And if you could look at the
17 overall picture of a hundred percent, where are
18 you at with the MTA's plan to correct the gap
19 problem?

20 MR. JAY WALDER: I don't have
21 an exact figure for you. The MTA has had a
22 program in place to be able to correct gaps. We
23 can get back to you with the more specific
24 statistics.

25 Clearly there was an incident or

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an accident that took place last week which was very unfortunate. It's my understanding, by the way, that that incident took place in an area where we had corrected a gap.

SENATOR FUSCHILLO: Right. It was corrected one time.

MR. JAY WALDER: And raises another question, obviously. But there hasn't been time to give you a full answer.

SENATOR FUSCHILLO: You talked about it briefly, and I'm just going to ask you a question.

Do you foresee any increase in fares in 2010?

MR. JAY WALDER: It has been my intent to try to stay with the fare package that had been adopted by the Legislature which was to say to get fares on a routine basis of increasing fares every two years.

Your actions taken last year we're supposed to have a fare increase in 2011 and 2013, as well as a toll increase in those years. And I'm very much trying to stay with that schedule.

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2 SENATOR FUSCHILLO: Just a few
3 more questions about the proposed reduction in
4 services.

5 You're proposing to eliminate
6 all service between Ronkonkoma and Greenport.
7 From Ronkonkoma to Greenport is over fifty miles.

8 Are there any alternative plans
9 to provide those commuters with a bus service or
10 how to get home?

11 MR. JAY WALDER: The service
12 that you're referring to is an extremely lightly
13 used service which has not been well served by
14 having a heavy rail solution that is there.

15 We haven't eliminated all
16 service. We would continue service during summer
17 months. But the winter months were particularly
18 lightly used.

19 That's a service that would be
20 better served, we believe, by a bus service
21 rather than a heavy rail service. And I think
22 that engaging a thoughtful process about how we
23 meet the needs of areas such as the Northfork out
24 beyond Ronkonkoma I think is an important part of
25 what might happen.

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2 But doing it with heavy rail
3 introduces costs that just don't make any sense
4 to us right now.

5 SENATOR FUSCHILLO: But it's
6 existing right now.

7 MR. JAY WALDER: It is existing
8 right now. It is being utilized by under two
9 hundred people a day. And, indeed, if you look at
10 some of the complaints that come from the people
11 who are utilizing it, they would actually prefer
12 in many cases a more frequent service that might
13 be provided on buses rather than on rail.

14 SENATOR FUSCHILLO: And that's
15 something that you're considering now?

16 MR. JAY WALDER: It's something
17 that we will be engaging with and trying to
18 figure out. But it is also potentially a service
19 that could be provided by a private bus operator
20 as opposed to the MTA.

21 SENATOR FUSCHILLO: Explain to
22 me the justification of eliminating Jones Beach
23 service lines, which only operate during the
24 summer months, which is going to affect nearly
25 4,000 people.

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MR. JAY WALDER: We have had to adjust the services in Nassau County consistent with the funds being provided by the county to the MTA.

There was a shortfall of \$3.44 million. In going through that process we did the same thing for Long Island Bus that we did for every other part of the MTA services. We analyzed every single bus route. We looked at the ridership on the route. We looked at the operating cost of the route.

We sought to place the impacts of that in the places in which it would have the least impact.

That doesn't make it painless by any means, Senator. It's just saying that if you have to make choices about the way to do it, we've tried to make choices in a way that would have less impact rather than more impact.

SENATOR FUSCHILLO: Now, I'm a little concerned with that because I think taking away the availability of almost 4,000 people getting to a place where it's affordable still from the State Park system in a downturned

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economy where they are not travelling, I don't see that having a least impact.

But maybe you and I and Nassau County can talk further about pursuing alternatives.

And also the combining on the Babylon Line which I think is going to affect thousands of people.

Chairman, just one final question.

A lot of this has to be done with your Board's approval, of what you're asking over a long-range plan.

What type of support or not have you received from them?

MR. JAY WALDER: I'm sorry. What have I -- I missed the last part.

SENATOR FUSCHILLO: A lot of your plans require your Board's approval.

MR. JAY WALDER: Correct.

SENATOR FUSCHILLO: What type of support or lack of have you received in your tenure?

MR. JAY WALDER: The Board has

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2 been very supportive of the fact that we put
3 focus on using every taxpayer dollar and every
4 customer dollar wisely.

5 They are extremely supportive of
6 the actions that we are taking to try to make
7 sure that we do that. And I appreciate that.

8 The Board has also been through
9 the entire package of service changes that have
10 been proposed. It is the fiduciary responsibility
11 of the Board to be able to balance the budget
12 within the resources that are available to us.

13 Having said that, I think I
14 would be remiss if I didn't say that the Board
15 feels that there is a series of public hearings
16 that will still take place --

17 SENATOR FUSCHILLO: Right.

18 MR. JAY WALDER: -- and that
19 they have not taken a final action on what is
20 there.

21 And I think that's right. I mean
22 that's the legal process of doing it. It's the
23 right process. We are holding eight public
24 hearings starting in the beginning of March. We
25 will take the input from the public in that

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regard.

Ultimately, however, we need to adopt a package of changes that will bring the MTA into a balanced budget situation with whatever revenues we have.

And that's a decision that the Board will have to consider after the public hearings.

SENATOR FUSCHILLO: Thank you very much.

ASSEMBLYMAN FARRELL: Thank you, Senator.

Next we will hear from Assemblyman Molinaro.

ASSEMBLYMAN MOLINARO: Thank you, Mr. Chairman, and thank you, Chairman.

I realize that we are exceptionally late and my colleagues have exhausted a number of questions that I had wanted to ask.

I want to, first, extend to you my thanks, and the Hudson Valley was grateful for your visit - it was somewhat of a whirlwind tour - several months ago with our business community.

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And I think we realize that, you know, the same questions can only be answered the same way so many times before we just simply acknowledge that we are just going to have to disagree.

I can't say that our business community is quite there and I'm not there either just yet.

So if you wouldn't mind, the Governor's proposal today, you've been sticking to script pretty accurately, and that is, you printed it out today.

So I'm clear, was there a dialogue between the Governor's budget -- the Division of the Budget or the MTA prior to the release of this proposal? Did this come as a surprise to the MTA today?

MR. JAY WALDER: There has been a discussion over the past week with the Budget Office about the tax revenues coming in from the payroll mobility tax.

There has been some discussion of alternatives that might be there.

But I literally printed the

1
2 press release off before I walked over to here
3 today.

4 ASSEMBLYMAN MOLINARO: So part
5 of it is though the MTA hadn't suggested that
6 this would be an agreeable transition to put
7 before the Legislature?

8 MR. JAY WALDER: The MTA has
9 not in any way suggested that. What the MTA has
10 indicated is that we have a substantial revenue
11 shortfall. We appreciate the help that the
12 Governor has made in trying to address that
13 shortfall.

14 But the questions as they
15 existed when I was up in your county as to the
16 distribution of these burdens and how they should
17 be placed across the MTA region is not a topic
18 that the MTA has taken any view on at all.

19 ASSEMBLYMAN MOLINARO: Okay.

20 Along those same lines, prior to
21 your appointment, the MTA, both the Board members
22 and the administration itself, actively engaged
23 in what I would call lobbying if not simple
24 advocacy for the adoption of the bailout plan.

25 Today, you've said on a number

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2 of occasions the Governor's proposal is a
3 decision or an issue to be determined by the
4 Legislature.

5 I just wonder, in reading again
6 your statement, you reflect that the changes,
7 cost savings, within the MTA may not produce a
8 balanced budget. Therefore, everything is your
9 point, everything must be on the table.

10 But you've said that it's
11 unlikely that fare increases in 2010 would be on
12 the table. And you've suggested that you wouldn't
13 lobby I guess for an alteration to the payroll
14 tax.

15 What else is on the table?

16 MR. JAY WALDER: Well, what I
17 was saying there was I thought the first
18 responsibility that the MTA had was to be able to
19 look internally at how we can continue to save
20 money. I think in this environment, in these
21 tough economic times, it's incumbent upon us to
22 do that. And that's the only way in which we will
23 have credibility with the public and with this
24 body that I'm appearing before today.

25 Clearly, the MTA is appreciative

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2 of actions to be able to provide further revenues
3 for the MTA. And I don't want to leave any doubt
4 about that.

5 The only point that I've been
6 making about this is that we have not taken any
7 judgment about how those revenues should be
8 provided, where the tax burdens might fall
9 between different parts of the MTA district in
10 any way.

11 The fact that the Governor has
12 in his amendment submitted a proposal to be able
13 to provide an additional \$230 million a year to
14 the MTA is very welcome and does go and help to
15 be able to deal with some of the problems that
16 the MTA is facing.

17 I also want to make the point
18 that even if this is enacted and achieves the
19 revenues that are here - and I think Senator
20 Krueger has made some of the points about some of
21 the challenges of achieving those revenues - but
22 even if it's enacted and achieves these revenues,
23 it achieves these revenues on a going-forward
24 basis.

25 We are still left with a hole

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that is approximately \$500 million as a result of the DRP cuts, as a result of the shortfalls in the PMT, as a result of the shortfalls in other taxes, the PBT and the real estate related taxes, that this does not make up.

So we are appreciative of it. I think it does set out a direction of travel in terms of saying that we need to help the MTA and I appreciate that.

But, you know, it's only a part of what we ultimately need.

ASSEMBLYMAN MOLINARO: No, I recognize that.

My point of questioning is that you seem to have led us to the place where you accept that the Legislature has to do something.

My question is do you foresee promoting, advocating or lobbying for an increase of the payroll tax as a part of a continued effort to bail out the MTA if cost savings can't generate a balanced budget.

MR. JAY WALDER: You are -- I have been clear to the members of the Legislature in terms of the financial situation that the MTA

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takes.

I've been very clear to the members of the Legislature in terms of the actions that I would have to take to be able to balance the budget.

To the extent that the actions I'm taking or would have to take to be able to do this can in any way be replaced by new revenues, I think it is something that would be helpful to the MTA.

I at the same time do recognize the difficult times that we are in. And I think it is incumbent upon us, and I will continue to say this, both for the MTA and for our union partners, to find ways to be able to reduce the cost structure of the MTA to be able to make it more sustainable over the long term.

ASSEMBLYMAN MOLINARO: Do you foresee any reason to believe, or I should say promote the elimination of school district refunds in the area of the payroll tax?

MR. JAY WALDER: I'm trying to understand the question.

ASSEMBLYMAN MOLINARO:

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Currently, the bailout includes a refund to school districts so they don't have to -- well, they pay the payroll tax, we refund them.

Do you foresee any reconsideration of that action either in future proposals from the Governor or your own advocacy?

MR. JAY WALDER: I think we've seen that the revenues from the payroll mobility tax are essential to the MTA. We are struggling with severe shortfalls already in the way that those tax revenues are coming in.

I'm not sure that I can see any basis of anything other than that.

The reality is that the Governor is putting forth a series of proposals to be considered, or a proposal to be considered by the Legislature as to the revenues so that the MTA could potentially get back to the level that we had all expected it to be last May.

I think undermining that or doing anything that runs in the opposite direction would be extremely difficult in this time when we are swimming in red ink.

ASSEMBLYMAN MOLINARO: There

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are many of us who think that perhaps if we were to provide tax relief we might see economic growth and therefore revenues could increase. But we've not experienced that any time recently. So that would be a new experience for New York State I'm sure.

I want to ask you one last question.

As you know, the four counties of the Upper Hudson River Valley share one single vote, not four, one-quarter independent vote. I wonder if you could offer perhaps an opinion on that and whether or not it makes sense now that we are all shouldering the tax burden, at least as based on the Legislature, equitably, whether or not that model has outlived its usefulness and perhaps the four counties of the Mid-Hudson Valley ought to receive four independent votes of one another and whether or not you could join us perhaps in promoting that?

MR. JAY WALDER: I think, as Senator Fuschillo said a moment ago, this is another well practiced answer for the MTA.

ASSEMBLYMAN MOLINARO: My

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question was well practiced as well

MR. JAY WALDER: Yes, I understand.

The decision as to the composition of the MTA Board is a decision for the Legislature and the Governor to take, not a decision for the MTA.

I would say that the four counties have four active Board members, all of whom are very actively engaged in the MTA business.

But I think as to the voting representation of those members, that's a decision for the Legislature and the Governor.

ASSEMBLYMAN MOLINARO: Okay.

And I trust I'll never see any of you in my office or any other office lobbying for anything really for legislative action.

But that said, Mr. Chairman, I again want to thank you. The Hudson Valley is still exceptionally outraged as are our colleagues and friends on Long Island.

The MTA has a long way to go I think to restoring a great deal of confidence, in

1
2 particular in a region that continues to shoulder
3 a great deal of the tax burden with only a
4 limited official vote on the Board.

5 But I thank you for the ongoing
6 dialogue and the openness that you've engaged in.
7 We look forward to seeing you again soon.

8 MR. JAY WALDER: Thank you.

9 SENATOR KRUGER: Thank you very
10 much.

11 Before Senator DeFrancisco has a
12 question, I sort of throw something out.

13 We've had these conversations
14 before and I'm going to renew it.

15 The MTA finds itself in so many
16 cases, like the Port Authority, in more than the
17 business of just transporting people. It finds
18 itself in the real estate business. And it has a
19 lot of excess properties, properties that even in
20 this downturned market are worth a lot of money,
21 properties that require your maintenance and
22 security. They require to be properly lit.

23 And there seems to be no
24 movement to excess them and to put them out on
25 the market. We're talking about buildings, we're

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2 talking about parking lots, we're talking about
3 rail yards, we're talking about the West Side of
4 Manhattan, we're talking about a whole lot of
5 stuff.

6 What's going on?

7 MR. JAY WALDER: I have asked
8 for a review in the MTA of the properties that we
9 do own. Most of the properties for the MTA within
10 the City of New York are actually owned by the
11 City of New York. They're leased to the MTA under
12 a master lease arrangement, but they are not
13 owned by the MTA.

14 SENATOR KRUGER: So why don't
15 you release them and turn them back to the City?

16 MR. JAY WALDER: Well, they're
17 still used facilities. And I think that --

18 SENATOR KRUGER: Like Jay
19 Street that sat empty for I don't how many years
20 until somebody woke up and said, oh, my God, we'd
21 better start painting it because they are going
22 to take it away from us.

23 MR. JAY WALDER: We spoke a
24 moment ago about Jay Street.

25 To repeat, Senator, I think Jay

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2 Street is the former headquarters of New York
3 City Transit, as you know. In the proposed
4 budget, capital budget, that the MTA submitted to
5 the Capital Program Review Board in October of
6 this year we had a project in that proposal for
7 the renovation of the Jay Street facility so that
8 it could be reoccupied by the MTA.

9 That budget was vetoed at the
10 end of last year. I will be resubmitting -- we
11 will be resubmitting a capital program proposal
12 next month.

13 In regard to the major property
14 pieces, the two largest property pieces that the
15 MTA has:

16 The Vanderbilt Yards, which I
17 know you know, is being redeveloped now with
18 papers being completed to be the new home of the
19 Nets and for other facilities that will be there;

20 And the Hudson Yards, which is a
21 deal that the MTA has entered into with Related,
22 the developer. That deal has achieved its
23 essentially outline business terms in terms of
24 the triggers for the development. We are
25 finalizing that transaction with the aim of

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finalizing it by the end of March.

Those are the two largest properties.

However, I think it is still incumbent upon us to look at all of our properties in just the way that you've just said. I don't disagree with that one bit.

We do need to make sure that we are using all the properties wisely. And I would also point out that the Mayor in his State of the City Address committed the City of New York to reducing its costs for property, and the MTA is looking to be able to do the same thing as part of the overhaul of the MTA.

SENATOR KRUGER: When can we expect that inventory?

MR. JAY WALDER: I don't have an exact date, but we are working on it right now.

SENATOR KRUGER: So obviously it won't be part of a master plan for this fiscal year?

MR. JAY WALDER: It will not -- master plan for resources for this calendar year?

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SENATOR KRUGER: Well, yeah. I mean like, you know, some of the old -- I know there have been several developers that are interested in a plain little old parking lot on the corner of Utica Avenue and Avenue N that became a dumping ground for your employees to park their cars in.

And somebody wanted to give like \$8 million for that lot and they were told, well, the Transit Authority owns it. They're not going to do anything with it.

MR. JAY WALDER: We are in the process of doing it right now. I don't have an exact date. I'm more than happy to get back to you, Senator, in terms of that.

But it is something that is actively underway now.

SENATOR KRUGER: And there are loads of property I know in Staten Island, and there are properties, you know, in places probably that we don't even know.

And I go back once again to the Jay Street building. In all due respect, that building stood empty and abandoned, and it was a

1
2 City building, and the City at one point asked
3 for the MTA to release the building and they
4 didn't.

5 You have a brand new beautiful
6 building sitting also in Downtown Brooklyn.

7 Part of the problem is that, you
8 know, sometimes people have to learn how to do
9 more with less, and that may mean like squeezing
10 space together.

11 And right now while there's a
12 bust all over town, there's a boom in Downtown
13 Brooklyn, and even with prices being bargain
14 basement, that Jay Street building is worth a lot
15 of money, enough money that it would make a
16 serious dent in the kind of money that you are
17 talking about.

18 And maybe it would be better
19 than to figure out a way of pouring money into
20 it, to refurbish it, so that everybody can have
21 more space to, quote, work in, unquote.

22 MR. JAY WALDER: Again,
23 Senator, I would agree with you that we need to
24 use our space efficiently. No question about
25 that.

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Everything I've tried to say here today is saying that I'm taking the MTA apart top to bottom in a comprehensive overhaul, looking at all the things that we are doing.

This is one part of what we are looking at right now. You have my commitment that we are doing that in every aspect of the MTA, including the real estate.

We will come back with the results of doing that. I just don't have the answer yet.

SENATOR KRUGER: Okay.

Thank you.

Senator DeFrancisco.

SENATOR KRUEGER: The Assembly.

SENATOR KRUGER: Anyone else?

ASSEMBLYMAN FARRELL: Yes.

Mr. DenDekker, Michael

DenDekker.

ASSEMBLYMAN DenDEKKER: Yes, good morning. Good afternoon I should say.

First of all, I wanted to respond to your analogy of the school bus. You said someone has to pay for the school bus. The

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2 taxpayers are paying for the school bus. They're
3 also paying for the road that the bus drives on.
4 So we should keep that in mind when you use that
5 analogy.

6 The other thing I'd like to
7 focus on is along the real estate lines.

8 I recently went into the 74th
9 Street Roosevelt Avenue Broadway station in
10 Jackson Heights and there were eleven empty
11 vacant vendor spaces that could be rented, and
12 they've been vacant since that facility has been
13 built. That's a loss of a lot of revenue.

14 I'd like to know, can you tell
15 us how much vendor space that you have that is
16 not being rented and what do you project that
17 lost revenue to be.

18 MR. JAY WALDER: I do not have
19 those figures off the top of my head, but I'd be
20 happy to get back to you with those figures.

21 ASSEMBLYMAN DenDEKKER: Okay.

22 I think that's something that we
23 should know. We should know, first of all, all of
24 the properties that you own or lease, and all of
25 the properties that you are not utilizing to the

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2 best of their ability before we look at cutting
3 services anywhere.

4 Always looking for more money to
5 plug a hole and coming to the State Legislature
6 or to turn around and then say we have a
7 shortfall, we don't have enough money, before we
8 do that, I believe you, as the manager of the
9 MTA, should first utilize the resources that you
10 have to try to plug your own hole.

11 You should try to rent out all
12 the space that you possibly can because that's
13 recurring income, as well as, like the Senator
14 said, if you have some spaces that you aren't
15 utilizing, you should let it go to get savings.

16 That would then help us and give
17 us a smaller amount to plug, or there may even be
18 a surplus. And if that's the case, that would be
19 helpful too because then that could fund new
20 projects to make you even more efficient.

21 MR. JAY WALDER: Assemblyman,
22 if I've tried to commit one thing today is that I
23 agree with your point that it's the MTA's
24 obligation to ensure we are using every dollar
25 wisely, that we are looking internally at the

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2 things that we're doing, that we are finding ways
3 to reduce our cost structure, that we are finding
4 ways to be able to increase our revenue base.

5 I agree with you a hundred
6 percent. The reality is we are taking those steps
7 right now in terms of being able to do this. We
8 are facing an immediate crisis in terms of the
9 resources that are there.

10 I don't think you can look at
11 the MTA and say the MTA has done anything other
12 than take that responsibility first. And I will
13 stand on the fact that we're doing that right
14 now.

15 ASSEMBLYMAN DenDEKKER: But if
16 that's the case then, if you agree with us and
17 you believe that there's a lot of wasteful
18 spending already built into the system that
19 you've identified in your hundred days, then the
20 emergency situation that you are in right now we
21 only need to plug for a year because within that
22 year you should be able to solve by looking at
23 all of the rest of the options that you have
24 available.

25 When you come and say you have a

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shortfall and we're going to come up with a revenue source for you, that's going to be a recurring revenue source, like the payroll taxes.

So you're going to then have all this continuing revenue coming in for the shortfall that you agree that there are wasteful ways that you can maybe find.

So, again, I don't understand why you would need a long-term revenue stream from us if you are going to work, you know, within your own organization to find the savings that you need anyway.

MR. JAY WALDER: We are working to find all the savings we can within the organization and we are working on that hard right now in being able to do that.

ASSEMBLYMAN DenDEKKER: So how long would you estimate that it would take you to find \$500 million worth of savings?

MR. JAY WALDER: I think it's going to take quite some time to find \$500 million of savings.

ASSEMBLYMAN DenDEKKER: What would "quite some time" be? One year?

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2 MR. JAY WALDER: I think it
3 will take - I think it will take years to find
4 \$500 million of savings. I don't think you're
5 going to find it overnight.

6 What I've said to you is we are
7 working right now. We will have immediate actions
8 that we are taking.

9 Bear in mind, that the MTA and
10 the structure of the MTA that is there right now,
11 the culture of the MTA that is there right now
12 developed over the past forty years. We are now
13 in a process of creating a new MTA, of breaking
14 down those barriers, of working out the
15 redundancies that are there.

16 We will do that in a careful
17 process. We will do that consistent with our
18 labor agreements to be able to do that as well.

19 What I don't think we should do
20 is put a timeframe on that that gets in front of
21 the way that we are able to do that. We're
22 working right now. We have moved immediately to
23 be able to do that.

24 I will be coming back to the
25 Legislature as we are finding savings within the

1
2 MTA. And I'll be laying all of that out on the
3 table.

4 I've already laid out to you
5 areas where I believe that we can find savings.
6 We're working hard now to achieve it.

7 But we started this process in
8 January. We are here in the second week of
9 February. It's a pretty short time.

10 ASSEMBLYMAN DenDEKKER: I
11 understand. I was just -- you're here a hundred
12 days, and in a hundred days you've identified or
13 made some good points on where we can save money.
14 And I don't understand if we could identify them
15 within a hundred days, why we can't move forward
16 on them in a quicker period of time.

17 That's all I have. Thank you.

18 SENATOR KRUGER: Thank you.

19 Senator DeFrancisco.

20 SENATOR DeFRANCISCO: I finally
21 got you. My turn.

22 First, I just want to thank you
23 for not reducing any services on the MTA line
24 from Syracuse to Utica, because it's very
25 important to my community.

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2 I just had a comment, not really
3 a question.

4 You know, I'll tell you I'm very
5 impressed by your command of what's going on,
6 number one.

7 Number two, and I was very
8 interested to see that you acknowledge - in some
9 cases it's rare to acknowledge - that there's
10 redundancies and inefficiencies and that post-
11 merger management wasn't too good.

12 So now we're in a crisis and we
13 are all looking for revenues.

14 But, you know, taxes, commuter
15 taxes or payroll taxes, that just reduces the
16 number of passengers because they're going
17 elsewhere. And that's been a problem with the
18 State.

19 And all I would do is, I have
20 faith in you from what you have been presenting
21 here, just hopefully these inefficiencies and
22 redundancies and the better post-consolidation
23 management, really you got an opportunity here
24 that no successor of yours may ever have again
25 because we may be cutting and cutting and cutting

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forever if we lose more and more people.

So I'm just urging you to follow the row that you're talking about and hopefully at some point - I don't want to waste more time here - but I'd like to find out at some point, even though it's not in my district, what your process is going to be in order to eliminate the redundancies and inefficiencies.

It's one thing expressing it; it's another thing seeing what you've constructed to deal with it, the procedures that you will be following.

And I thank you for your testimony.

MR. JAY WALDER: And thank you for your comments. I'd be happy to share that with you.

SENATOR KRUGER: Thank you so much, Senator.

I think we're finished except there's one nasty rumor floating around that perhaps you can just take home with you.

That there are about 23,000 MTA cards, free MetroCards floating around that folks

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are getting.

Can you nail that down or find out whether there is any truth to that rumor?

MR. JAY WALDER: Sure. I don't have any information on that.

SENATOR KRUGER: There is nobody at the MTA, employee, staff, administrators or anyone else that gets free bus and subway?

MR. JAY WALDER: Employees and retirees - again, someone might correct me if I'm saying this wrong - but I believe it's employees and retirees receive a free transportation pass.

SENATOR KRUGER: And do their families?

MR. JAY WALDER: I do not believe, but, again, I should doublecheck this. I do not believe that families of employees receive a free ride.

SENATOR KRUGER: I kind of think not only do families receive them, but children even up to the age of twenty-one receive them as well.

MR. JAY WALDER: In order to

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avoid misspeaking on this, Senator, I had best follow back with you rather --

SENATOR KRUGER: Please do that.

MR. JAY WALDER: -- than -- and it's not something I'm familiar with.

SENATOR KRUGER: And the number I'm told is somewhere over 23,000.

MR. JAY WALDER: I'm happy to follow back.

SENATOR KRUGER: Okay. Thank you.

That's it. Thank you.

MR. JAY WALDER: You're welcome. Thank you.

SENATOR KRUGER: TWU #100.

MR. JOHN SAMUELSEN: Good evening.

SENATOR KRUEGER: Good evening.

MR. JOHN SAMUELSEN: I was going to say good afternoon, but it's turned into good evening.

SENATOR KRUGER: I don't know whether you realize it or not, but we're running

1
2 a little late. So to the extent that you can
3 summarize, we would really appreciate it.

4 MR. JOHN SAMUELSEN: Okay.

5 Well, thank you for having us
6 here. Thank you for having us in front of the
7 Committee. And thank you for allowing me the
8 opportunity to speak before this Committee and to
9 deliver the good wishes and hopes of a positive
10 outcome to the current fiscal crisis facing the
11 MTA from the 38,000 members of my union, TWU
12 Local #100.

13 My members are the men and women
14 who work around-the-clock, seven days a week,
15 three hundred sixty-five days a year, operating
16 New York City's bus and subway system, as well as
17 a variety of essential school bus services and
18 private line and express bus services.

19 They also provide support for
20 Access-a-Ride, the indispensable transportation
21 service for our elderly and disabled.

22 Transit workers have an
23 unbreakable bond with the millions of passengers
24 they serve each day. They are alarmed by the
25 MTA's current plans to slash bus and subway

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2 service throughout the City and eliminate student
3 passes.

4 And, as the vast majority of my
5 members are head of households, they are very
6 concerned about their jobs, very concerned about
7 their ability to provide for their families and
8 afford transportation costs for their children.

9 The MTA is proposing over \$100
10 million in severe service cuts in 2010 which
11 would impact nearly four million bus and subway
12 riders, as well as over one thousand job
13 reductions through attrition and layoffs at New
14 York City Transit.

15 These service cuts and
16 elimination of jobs represent true hardship for
17 struggling New Yorkers and further deteriorate
18 the City and State's economic health.

19 I am here today to say that
20 there is an alternative. This view is not my view
21 alone. It is shared by a broad coalition of labor
22 unions, rider and environmental groups, and many
23 members of the New York City Council and the New
24 York State Senate and Assembly.

25 There is no doubt that the MTA

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2 finds itself in a financial predicament, a crisis
3 with roots dating back to the mid 1990s when a
4 shift in public policy occurred and translated
5 into a real public disinvestment in New York's
6 mass transit network.

7 Even during times of economic
8 expansion, such a decrease in public transport
9 translated into undue adversity, and during times
10 of economic contraction, the situation becomes
11 exponentially worse on both the capital and
12 operating side.

13 That said, we are clearly
14 confronted with an unprecedented funding crisis
15 today. But there are some obvious solutions that
16 can address this very crisis.

17 We are here to state for the
18 record ways in which the MTA can help close
19 budget gaps.

20 The MTA has several options
21 available, including using \$50 million it has set
22 aside in 2010 for pay-as-you-go capital. Also
23 available is approximately \$100 million in
24 stimulus funds that the MTA could use from the
25 American Recovery and Reinvestment Act of 2009.

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2 But the MTA steadfastly refuses
3 to take this sensible approach to solving a
4 portion of the problem. To do so, especially amid
5 reports that budget deficits are likely to get
6 worse, seems irresponsible, even insensitive, to
7 the hardship being felt by average, everyday New
8 Yorkers.

9 The reality is that transit
10 agencies all over the country are using stimulus
11 funds for their operating budgets, including in
12 Chicago, Atlanta, St. Louis and Seattle, because
13 there is a real need for Federal support to
14 ensure that service is maintained and jobs are
15 saved.

16 In fact, this is a transparent
17 way to deal with the budget crisis unlike the
18 MTA's routine shifting of operating funds to
19 underwrite capital projects.

20 In past years, the MTA has
21 drained nearly \$1.4 billion from the operating
22 budget to fund its capital plans. Think about how
23 many service cuts and fare increases would have
24 been avoided if this had not been the case.

25 To question at best and refuse

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at worse the use of stimulus funds during this time of crisis is wholly inappropriate. It's time for the flow to go in the other direction.

We call on the MTA to reconsider and reprioritize its capital plan. As a track worker for the past seventeen years in New York's subways, I understand the importance of maintaining the health of our infrastructure.

The system's safety is supreme and that should never be jeopardized. But we can't be blind to the economic woes of millions of New Yorkers today and to the needs of hundreds of transit workers and many other workers whose jobs and livelihoods are now threatened by this crisis.

We cannot let that happen. And to that end we need to re-think our capital priorities.

Additionally, it is also important that New York takes advantage of all other opportunities being considered by Congress, most notably the Jobs Bill. The legislation is expected to be moved by Congress soon and it is likely to include Federal funding for

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infrastructure projects.

New York Senator Kirsten Gillibrand has called for \$15 billion to go to transit, of which ten percent could be used towards operating expenses.

It is estimated that the MTA could receive \$2.1 billion, of which \$210 million would be available for operating expenses. This makes more sense than cutting jobs and lacerating service.

We urge the members of the Senate and the Assembly to support us in our campaign for additional Federal operating assistance for transit agencies and perhaps come to D.C. with us, alongside riders' groups, labor and other community groups impacted by the MTA's proposed cuts, to register that very position.

Last but not least, we urge the State not to abandon New York City school children and find additional monies to support student passes. It is imperative that both the City and the State find a way to absorb student transportation costs and not leave school children to make a decision on where to go to

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school based on what they can afford to pay to get there.

And just as important, we hope the State can identify other ways in which to fill the gap from declining revenues flowing to the MTA from dedicated taxes.

As a starting point, the State should restore the \$143 million it cut from the MTA as part of its Deficit Reduction Program.

We ask that you please do what's right for New York's working families today.

Thank you.

SENATOR KRUGER: Thank you.

MR. JOHN SAMUELSEN: If anybody has any questions, we would be willing to answer them to the best we can.

ASSEMBLYMAN FARRELL: Thank you.

SENATOR KRUGER: Thank you.

SENATOR KRUEGER: No, Marty has one question.

SENATOR KRUGER: Senator Dilan.

SENATOR DILAN: I want to be the first one to congratulate you under these

1
2 difficult times at becoming or getting elected as
3 President of TWU Local #100. That's like myself
4 to go for the chairmanship of the Transportation
5 Committee in very difficult times.

6 So I look forward to joining you
7 in urging the Federal government to spend more
8 money on transportation and dealing with the
9 student fares.

10 But I also think that we all
11 need to think out of the box a little bit in
12 terms of how do we all work together to get the
13 MTA out of the current crisis so we can benefit,
14 of course, the labor force but most especially
15 the consumers of the MTA region.

16 So within the next few months
17 hopefully we'll all work together to accomplish
18 that.

19 Thank you.

20 SENATOR KRUGER: Thank you,
21 Senator Dilan.

22 Thank you very much, Mr.
23 Samuelsen.

24 MR. JOHN SAMUELSEN: That's it?

25 SENATOR KRUEGER: Because the

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hour's late.

ASSEMBLYMAN FARRELL: The
answer is, yes.

MR. JOHN SAMUELSEN: All right.
Thank you.

SENATOR KRUEGER: Thank you for
staying so long and waiting.

SENATOR KRUGER: New York State
Thruway Authority, Canal Corporation, Michael
Fleischer.

I hope you're not taking a drink
of water because you're going to read your
statement.

MR. MICHAEL FLEISCHER: No, no.
Thank you, Senators and Assembly
Members.

I'm going to submit a testimony.
I'll try as quickly as I can to summarize what
has been provided.

The Thruway is clearly an
important link for the Upstate communities and
the Downstate region, connecting people to jobs,
goods to market. It's a very critical link for
the Upstate economy. It's critical for tourism.

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It's critical to get people to and where they need to go and get businesses to and where they need to go.

2009 was the safest year in the Thruway history. Our fatality rate per hundred million miles traveled was .27, which is about a quarter to one-fifth the national rate, something we're very proud of.

And it's due in large part to our operations. We're very proud of the men and women who do snow and ice control on the Thruway.

It's due to design of the highway.

It's due to the capital investments that we're making and continue to make and will continue to need to make.

It's also due to Troop T. The Thruway is unique that it pays for its own police services, about \$50 million a year. And as an aside, the Thruway does not receive any of the revenue that the State Police Troop T generates through tickets. So there's no incentive for the Thruway to have Troop T out there except for public safety. And they do an outstanding job.

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2 We are in the midst of
3 delivering our capital program, 2005-2011. It's a
4 \$2.1 billion highway and bridge program.

5 We have completed the connection
6 between Interstates 84 and 87 in Orange County,
7 dramatically improving the way the transportation
8 system works in that region, relieving
9 considerably local traffic off of Route 300 and
10 17K, a dramatic improvement.

11 In the spring of this year, we
12 will open Highway Speed E-Z Pass at the Woodbury
13 Toll Plaza, another major step forward for the
14 Thruway and another major step forward for
15 improving the way people use the Thruway in the
16 State.

17 But eighty percent of our
18 pavement and eighty-five percent of our bridges
19 date to the original construction. We have a
20 fifty-year old highway that needs a lot of work
21 and a lot of attention.

22 And we are in the midst of what
23 will be this year the largest single contracts
24 program in the Thruway's history, over \$600
25 million worth of projects.

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2 Major project: Tappan Zee
3 Bridge, the next phase of continuing to redeck
4 the Tappan Zee Bridge to make sure that remains
5 safe for the people who rely upon it.

6 While we work with State DOT and
7 we work with the MTA on finding the right
8 transportation solution for the corridor, we will
9 not step back from making the investments needed
10 to keep that bridge safe.

11 There's major projects in
12 Buffalo, major projects in Albany, adding a third
13 lane between 23 and 24.

14 So we're trying to do the things
15 that this fifty-year old highway needs, do it
16 responsibly and do it well.

17 We have been tightening our
18 belt. Since 1995, the Thruway has reduced
19 unfunded positions by nearly 550 positions. We've
20 done it all through attrition. But we have been
21 continuing to look at all of our vacant positions
22 when they become available to see if we really
23 need them, to see if the job can be done better,
24 more efficiently.

25 We're also looking to reduce our

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2 costs through energy efficient technology. We are
3 in partnership with NYSERDA. We've asked them,
4 said come look at the Thruway. We're not experts
5 in energy efficiency. We're not experts in green
6 technology, but we have assets in buildings, we
7 have assets in highways, and we've asked them to
8 come in through their FlexTech Program. They'll
9 contribute about fifty percent. And we'll develop
10 an energy plan for the Thruway.

11 We've issued an RFI for wind
12 power, asking the wind power industry to come to
13 the Thruway and give us their ideas of where
14 there's the potential to generate wind within the
15 Thruway right-of-way that's safe. We think out in
16 Western New York there's lots of areas that --
17 we've done some initial testing -- that may work.
18 But we'll ask the wind power industry can it be
19 economically done.

20 I should mention that we receive
21 no State tax dollars. So in terms of the budget
22 we don't get any State appropriations, we don't
23 get State tax dollars. In fact, since the early
24 1990s, the Thruway has spent nearly \$1 billion on
25 non-Thruway costs, mostly the State Canal System

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2 which was transferred to the Thruway. It has had
3 a significant impact on the Thruway's finances.
4 But I think the Thruway has done good by the
5 Canal.

6 The Canal, whether it was a good
7 decision or a bad decision, you know, the impact
8 on the Thruway's revenues aside, the Canal is
9 much better off for the investments that have
10 been made across that system in terms of public
11 access, in terms of public events.

12 There's a lot of things going
13 on. The Canal Corporation works with local
14 communities, puts out a calendar of events. In
15 fact, in Rochester later this year the World
16 Canal Conference will be coming to Rochester.
17 That's a conference that's been held in England,
18 it has been held all over the world. It's coming
19 to New York State. Canal enthusiasts will be
20 coming from around the world to New York State.

21 Looking to the future, we expect
22 that over the next twenty years we'll have about
23 \$9 billion worth of needs to maintain and operate
24 the Thruway safely from a capital standpoint.

25 That does not include a new

1
2 Tappan Zee Bridge, which is more than \$9 billion
3 on current estimates. But in terms of our core
4 infrastructure, taking care of it, we are
5 committed to continue to make the investments we
6 need.

7 We're also looking at improving
8 the way we deliver those services. We are going
9 to look at better integrating our financial and
10 capital planning, putting them both on a ten-year
11 rolling schedule so we're always looking ten
12 years ahead, and integrating our financial and
13 capital planning.

14 We would like to be more
15 standardized and more transparent frankly in our
16 capital program, our capital projects' delivery,
17 our capital projects' tracking systems. We would
18 like to automate those, make them available on
19 the web, so that people can see how we're doing
20 in terms of the promises we made and how we're
21 doing in delivering those promises.

22 We're also going to be looking
23 in enhancing our strategic plan.

24 For example, all electronic toll
25 collection. The Thruway is not really well suited

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2 at this point for all electronic toll collection
3 because one-third of our travelers are from out-
4 of-state.

5 In the Downstate area we are a
6 commuter route. In the Upstate area we don't have
7 such high penetrations of E-Z Pass or electronic
8 toll collection.

9 So we're trying to look at what
10 is the future of toll collection, which will
11 drive some of the decisions we make on how we do
12 certain projects and when we do certain projects
13 and how efficient we can be by using technology
14 to collect tolls.

15 Because while people think of
16 the Thruway as the toll road, we look at tolls as
17 our means to deliver our services. We look at
18 ourselves as the road that provides high levels
19 of safety and service and happens to have tolls
20 as its way to finance those needs.

21 So we want to look to do better,
22 do more for customer service. But in the end we
23 want to make sure we meet our mission, you know,
24 the mission that the State Legislature charged
25 when it created the Thruway, which is to provide

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safe, high levels of safety, high levels of customer service for the people of this State by making smart investments on the Thruway and taking good care of the Canal System.

Thank you.

ASSEMBLYMAN FARRELL: Thank you.

SENATOR KRUGER: Senator DeFrancisco.

SENATOR DeFRANCISCO: Yes.

What -- I notice that Onondaga County is getting capital construction of the sum of \$750,000. It doesn't seem like a heck of a lot.

I'd like at some point if you could provide me with a list --

MR. MICHAEL FLEISCHER: Okay.

SENATOR DeFRANCISCO: -- of what projects are needed in Onondaga County and what does the \$750,000 represent.

It seems kind of paltry in relation to the other areas.

MR. MICHAEL FLEISCHER: I'll find out, Senator. It could be just as much as

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guard rail repair, but we haven't picked the locations. But I'll get you the precise areas.

SENATOR DeFRANCISCO: I mean they would have a list of needs in each county, I assume. I just want to see what percentage is being funded in our county as opposed to what the needs are because this seems like a very small amount compared to the other counties.

MR. MICHAEL FLEISCHER: Well, also remember, that we're spending over \$125 million between Exits 39 and 40 today, fully reconstructing that section of highway.

So it may not show up in 2010 under the \$600 million in new lettings, but it was one of the largest projects that's in the capital program. We let it last year. We're still going to spend money on it this year.

SENATOR DeFRANCISCO: What are the exits?

MR. MICHAEL FLEISCHER: 39 to 40.

SENATOR DeFRANCISCO: Okay.

MR. MICHAEL FLEISCHER: So --

SENATOR DeFRANCISCO: The Inner

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Harbor --

MR. MICHAEL FLEISCHER: Yes.

SENATOR DeFRANCISCO: -- in
Syracuse, that's been going on for probably close
to my lifetime, --

MR. MICHAEL FLEISCHER: Okay.

SENATOR DeFRANCISCO: -- it was
let out and then new regulations came up because
for some reason when it was let out it was felt
to be an unfair process.

I have my own opinion why it was
-- rules were reconstructed.

This is such a great potential
and it's so unbelievably frustrating that this
harbor still stands vacant without any kind of
development when we had some excellent proposals
and some pie-in-the-sky ridiculous proposals that
held up the development of this -- this should
have been done by now.

The status, as I understand it,
is now there's been a new -- you've re-let the
thing.

MR. MICHAEL FLEISCHER: We've
issued a new RFP.

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SENATOR DeFRANCISCO: RFP. Is this going to be the final RFP?

MR. MICHAEL FLEISCHER: I certainly hope so.

SENATOR DeFRANCISCO: Okay. Now, the final RFP, when are the bids - the bids have to be in, or the Requests in?

MR. MICHAEL FLEISCHER: End of March.

SENATOR DeFRANCISCO: End of March.

And then what's the timeline from there?

MR. MICHAEL FLEISCHER: Well, they come in. And what we've tried to do is, you know -- we're not the experts in what the locals want and local economic -- The Lakefront Development Corporation, which was set up as a local development corporation, will review the submittals.

And I should say that we have, while we've had some difficulties, we've tried to each time learn and improve the process to be

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more open and transparent so those things that, you know, you mentioned couldn't occur again.

And we've also allowed for bidders to not have to bid on the entire parcel. So that it would be more amenable to splitting up some of the development rights there which could allow someone with a smaller vision --

SENATOR DeFRANCISCO: Will the past experience that the Canal Corporation has had with a certain developer that has held us up forever, will that institutional memory have any bearing on whether, if this developer puts another proposal in, is going to be the successful bidder in view of how one developer has held this thing up indefinitely?

MR. MICHAEL FLEISCHER: Well, what we've tried to do, not to, you know, single out any developer or what they've done in the past, is put the requirements in terms of who's responsible for what, the upfront deposits, the things that we've had difficulty nailing down in these processes where that developer was not willing to agree to certain things, we've made them part of the upfront documentation so that if

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they're not willing, it's very clear then they're not being responsive --

SENATOR DeFRANCISCO: So in the past, the RFPs in prior Requests that were sent out didn't require any downpayments or anything or any obligations in writing?

MR. MICHAEL FLEISCHER: Our counsel felt they did, their counsel felt they didn't. They were still the selected developer. So it's not clear when -- at what point would we allow --

SENATOR DeFRANCISCO: Well, let me put it another way.

MR. MICHAEL FLEISCHER: Okay.

SENATOR DeFRANCISCO: The first rule in banking I've heard is that you got to know thy customer.

And if you have a relationship or a lack thereof with a customer who has caused problems in the past in view of a disagreement on how to interpret documents, which results in litigation, doesn't that institutional memory in knowing thy customer, shouldn't that come into play in determining who should be granted bids in

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the future?

MR. MICHAEL FLEISCHER: Well, I don't know that necessarily the State will allow the Thruway to pre-select or de-select entities that are not allowed to --

SENATOR DeFRANCISCO: Could you have put in the Request for Bid that you will be considering past experiences with those who submit --

MR. MICHAEL FLEISCHER: I think all of that will be looked at through the Department.

SENATOR DeFRANCISCO: No. But could you have put that in the Request for Bids so everybody knows that you're considering experiences with people who you've had experiences with before in making your selection?

MR. MICHAEL FLEISCHER: I don't know if we could be that specific in saying, you know, there are certain people or certain entities that we didn't come to terms on in the past and, therefore, that would be looked on unfavorably. I don't know that the procurement laws would really allow that.

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SENATOR DeFRANCISCO: Okay.

So March the bids come in.

MR. MICHAEL FLEISCHER: Right.

SENATOR DeFRANCISCO: At what point in time -- what's the timeframe after the bids come in?

MR. MICHAEL FLEISCHER: I think the LDC will look at them and will probably have some public hearings and air out the proposals. And it will somewhat -- it will be determined by when they're comfortable in making a recommendation to the Thruway Canal Board.

SENATOR DeFRANCISCO: Who makes the final decision?

MR. MICHAEL FLEISCHER: The Thruway Canal Board.

SENATOR DeFRANCISCO: And you, as Thruway Canal Board, could you put, when you send it down to the Lakefront Development Corporation, could you put in a requirement that they have to give their advice by ninety days or sixty days, rather than going on indefinitely --

MR. MICHAEL FLEISCHER: Okay.

SENATOR DeFRANCISCO: -- in

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order to -- so that we're in another cycle where then you find another unfair procedure and another set of regulations, and then we don't get this thing done.

I mean this is not rocket science. I don't think I'm setting anything out that isn't common sense.

But in view of the track record of this never getting done, you should have strict guidelines during the process.

And I would hope you would do that and I'm glad you're writing it down.

The other question I have -- and we'll get off this situation -- just one other area.

What percentage of the highways does the Thruway Authority manage in relation to the total highway structure in the State of New York?

MR. MICHAEL FLEISCHER: We have about 3000 lane miles. I believe the State has 42,000 lane miles -- I believe, interstate lane miles I believe.

SENATOR DeFRANCISCO: So you

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have about seven percent of --

MR. MICHAEL FLEISCHER: Yes.

SENATOR DeFRANCISCO: Okay.

Can you tell me in this -- why we shouldn't eliminate the Thruway Authority and let the Department of Transportation do a hundred percent, rather than -- what did I just say? -- rather than ninety-three percent?

MR. MICHAEL FLEISCHER: Well, you know, that was looked at in the early 1990s when the bonds were paid off. There was a Thruway Transition Advisory Council that was established that had labor groups, had contractors, had business. It was determined that because one-third of the travelers were from out-of-state, that those who use the system should pay for it and those who don't use the system should not pay for it, which is the way it still is today, the decision was to keep the tolls on, and then, as I said before, transfer the State Canal System to the Thruway.

That being said, the policy was changed that the Thruway System and the Canal System should all be part of the State budget.

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2 You know, there's a process in terms of defeasing
3 bonds and that stuff.

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5 But, you know, I think the
6 Thruway has provided a high level of safety and
7 service. I think people -- you know, when we've
8 talked about the tolls, people certainly aren't
9 ecstatic about the tolls, but when it's snowing
10 out and their kid is coming home from college,
11 what I'm told is they want them on the Thruway
12 because we do have the resources to have the
13 plows out there, to have the people out there to
14 take care of the roads and bridges.

14

15 But I'm not going to sit here
16 and say it's the only way it can be done.

16

17 SENATOR DeFRANCISCO: All
18 right.

18

19 So you feel you do a superior
20 job than the Department of Transportation in
21 keeping roads and bridges clear?

21

22 MR. MICHAEL FLEISCHER: I think
23 we have -- I wouldn't say superior as if we're
24 better than they are. I think the Thruway was
25 established as an operating entity. It was
established to operate a highway system and that

1
2 is how we're structured and I think we do a good
3 job.

4 The DOT was more structured to
5 build the interstate system.

6 So I think there's different
7 strengths of both organizations, and we certainly
8 -- the tolls are a more reliable resource so we
9 do have the ability to provide a level of service
10 that may be higher --

11 SENATOR DeFRANCISCO: And,
12 lastly, is there anything about collecting tolls
13 that could not be done by the Department of
14 Transportation?

15 MR. MICHAEL FLEISCHER: I don't
16 -- right now they don't have the people to do it.
17 I couldn't say here too that no one else but the
18 Thruway can collect the tolls.

19 As I said, you know, the tolls
20 is a mechanism. And as more electronic toll
21 collection comes on, as we put more Higher Speed
22 E-Z Pass and Highway Speed E-Z Pass, as we look
23 at more automation and maybe, you know, the
24 process of collecting cash is a relatively
25 inefficient way of collecting resources for

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transportation. But it is what the Thruway has.

The Thruway doesn't have any State tax dollars. So if we're going to move the Thruway to DOT, what is now a zero appropriation could become hundreds of millions of dollars in expenses that are completely borne by the State taxpayer as opposed to out-of-state drivers and as opposed to others.

SENATOR DeFRANCISCO: Unless the DOT actually collects the tolls rather than the Thruway Authority.

MR. MICHAEL FLEISCHER: Yes. You'd have to --

SENATOR DeFRANCISCO: I don't have anything further. Thank you.

SENATOR KRUGER: Senator Dilan.

SENATOR DILAN: Yes. Good evening. How are you?

I have several questions.

First, regarding the bridges, you have about eight hundred bridges. What are the conditions of your bridges compared to the DOT maintained bridges?

MR. MICHAEL FLEISCHER: I would

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2 say that they're probably slightly better than
3 DOT's. Our average condition rating is over 5. I
4 think our deficiency is around 20 to 23 percent
5 deficient rating.

6 I'm not sure exactly what DOT's
7 deficiency rating is, but ours is about 20 to 23
8 percent deficient.

9 SENATOR DILAN: What is the
10 life expectancy of the Tappan Zee Bridge?

11 MR. MICHAEL FLEISCHER: Well,
12 it's already exceeded its functional capacity in
13 terms of traffic and its longevity in terms that
14 it's almost fifty-five years old.

15 We've just replaced over a
16 thousand panels at \$150 million. And this spring
17 we will spend another \$170 million on the Tappan
18 Zee Bridge.

19 We will continue to invest in it
20 to make sure it's safe for the people who ride
21 it.

22 SENATOR DILAN: Well,
23 originally when the bridge was first built it was
24 expected to have a fifty-year life, and at that
25 point were we looking to replace or just repair?

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2 MR. MICHAEL FLEISCHER: I think
3 it -- you know, it was built at a time during the
4 Korean War when there was a shortage of steel. It
5 was built in a very difficult terrain in terms of
6 geography and in terms of what it's resting on.
7 It's buoyant. It's not built into ground. It's
8 buoyant in the river there.

9 I don't know that they thought
10 that far ahead of what's going to happen fifty
11 years from now in terms of the growth of Rockland
12 County, in terms of the growth of use.

13 It used to have only six lanes.
14 We were able to through a reversible barrier
15 create seven lanes operationally on the bridge.

16 There's not much left we can do.
17 There's no shoulders. It's merely almost -- it's
18 almost really two hundred separate bridges the
19 way it functions in terms of all the spans you
20 have.

21 SENATOR DILAN: Do you consider
22 the Tappan Zee Bridge to be a safe bridge today -

23 -

24 MR. MICHAEL FLEISCHER: I
25 consider it absolutely to be a safe bridge, --

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SENATOR DILAN: -- and going into the future?

MR. MICHAEL FLEISCHER: -- that we are spending the resources to keep it safe.

But in terms of the long-term future of moving people through that corridor, it cannot handle transit. Certainly rail transit, it would have to be rebuilt or a new bridge where we could put transit on that bridge.

It has no breakdown lanes. So if there's an accident in the morning, it's not like the other part of the Thruway, the other part of the interstate system where someone could push it off to the side and the traffic could keep going. There's no place to put traffic once there's an incident on the bridge.

SENATOR DILAN: Just one more quick question.

With regard to I84, how much money did your agency realize in savings by turning it back to DOT?

MR. MICHAEL FLEISCHER: Well, what happened with I84 was it was -- it goes back to tolls in Buffalo. When the tolls were removed

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2 in Buffalo, the Senate provided \$12 million,
3 which essentially was how much we were collecting
4 in Buffalo on the 190 there.

5 The people in Buffalo felt that
6 they were being treated differently because there
7 was a toll road as opposed -- into the urban
8 core. You know, I81, 787, those roads into the
9 urban core don't have tolls on them.

10 Our position was that it's not
11 that the Thruway was treating anyone differently.
12 It happened to be a road that was built and
13 maintained by the Thruway which is why there are
14 tolls on it.

15 That being said, the decision
16 was made with the influx of \$12 million from the
17 Senate that we could remove the tolls as long as
18 we have a recurring savings from I84 by
19 transferring that back to DOT, which was allowed
20 under the legislation with one year's notice.

21 So in the end the Thruway is no
22 better off financially because while we gave back
23 \$12 million in expenses, we gave up \$12 million
24 in revenue. So that didn't change our financial
25 condition.

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SENATOR DILAN: All right.

Thank you.

SENATOR KRUGER: Thank you.

Senator Fuschillo.

SENATOR FUSCHILLO: Just a couple quick questions.

The High Speed E-Z Pass that you have north of the Tappan Zee on the Thruway, is that what you're looking -- I think it's quite successful having to drive that road every single week -- is that what you're looking to do at Woodbury Commons?

MR. MICHAEL FLEISCHER: Yes.

At Spring Valley it's for trucks only.

SENATOR FUSCHILLO: Right.

MR. MICHAEL FLEISCHER: What we would have to do at Woodbury is bigger because we're going to have passengers and commuters. And what we have to do is essentially reengineer the highway to allow those people who are still paying cash to safely pull over, pay their cash, and then have a significant lead time to entry back into the highway.

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So we are creating High Speed E-Z Pass for those with E-Z Pass. But for those who are paying cash, we're almost creating another interchange for that.

SENATOR FUSCHILLO: Is that part of the project right now?

MR. MICHAEL FLEISCHER: Yes.

SENATOR FUSCHILLO: And when will that be implemented?

MR. MICHAEL FLEISCHER: We believe May of this year.

SENATOR FUSCHILLO: Of this year?

MR. MICHAEL FLEISCHER: Yes.

SENATOR FUSCHILLO: So what are we going to see as commuters on that road? I mean we see a catwalk now that you've just completed. And what are you going to do to the toll booths?

MR. MICHAEL FLEISCHER: The tolls will be knocked down. The tolls that are underneath that catwalk that are on the main line, they will be knocked down.

SENATOR FUSCHILLO: Okay.

MR. MICHAEL FLEISCHER: And the

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tolls -- if you have E-Z Pass, you won't slow down, you won't leave the main line, you'll just continue on your own.

SENATOR FUSCHILLO: At 65 miles an hour?

MR. MICHAEL FLEISCHER: At 65 miles an hour.

SENATOR FUSCHILLO: Let me just ask you a quick question.

The attachment to your statement of these letting projects, are they all approved?

MR. MICHAEL FLEISCHER: Yes, they've been approved by the Thruway -- the Thruway Board approved those. We're on a calendar year, not a fiscal year. So at the end of December the Thruway Board considers the -- in December of 2009 the Thruway Board considered the 2010 budget and what we call the 2010 contracts program.

SENATOR FUSCHILLO: Do you have surplus funds accounts?

MR. MICHAEL FLEISCHER: I'm sorry?

SENATOR FUSCHILLO: Surplus

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funds accounts.

MR. MICHAEL FLEISCHER: I don't believe -- no.

SENATOR FUSCHILLO: You have no surplus funds in any --

MR. MICHAEL FLEISCHER: Well, we have -- on an operating basis -- we operate on a cash basis both on operating and capital. We don't fully encumber the way DOT would.

SENATOR FUSCHILLO: Right.

MR. MICHAEL FLEISCHER: So if there's surplus, like this year in 2009 we ended with \$10 million of surplus operations funds because we continue to spend less and control, and we roll that into our reserve maintenance fund so that we can use it for the next year.

But we don't have any surplus where we take money and put it aside. We kind of use it for the next budget cycle.

SENATOR FUSCHILLO: So you have no surplus fund accounts?

MR. MICHAEL FLEISCHER: Not -- I don't think in that technical way. We do generate surplus money that we keep for Thruway

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needs.

SENATOR FUSCHILLO: I must compliment you because your workers are constantly out there. And as somebody who drives up and down the Thruway on a weekly basis, repairs seem to be done on an immediate basis and the roadway is all properly maintained. So I want to thank you for that.

MR. MICHAEL FLEISCHER: Thank you.

SENATOR FUSCHILLO: That's a compliment.

MR. MICHAEL FLEISCHER: Thank you.

SENATOR FUSCHILLO: I know it's late.

MR. MICHAEL FLEISCHER: It is tough to hear sometimes.

SENATOR KRUGER: He still wants to find out if you have extra money. There's a hidden message in there somewhere.

SENATOR FUSCHILLO: Thank you very much.

MR. MICHAEL FLEISCHER: Thank

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you.

ASSEMBLYMAN FARRELL: Any questions?

Question?

ASSEMBLYMAN DENDEKKER: Yes. Do you realize any income off the rest areas? Do you lease them out that's income?

MR. MICHAEL FLEISCHER: We do. Yes, we lease them out through a competitive process and we derive some income. I think it's about \$20 million in sundry revenues. So we do generate some revenue from the process.

ASSEMBLYMAN DENDEKKER: Are there any plans to add any more farther up north, like 15 and like 18? I think there's only one or two. There's like a thirty or forty or fifty mile stretch with none. So wouldn't that create more revenue for you if you added another one in?

MR. MICHAEL FLEISCHER: We haven't looked at adding one in quite some time. We could look at it.

I don't know if we have the geographic space, but we can -- we haven't really

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considered adding any travel plazas.

ASSEMBLYMAN DENDEKKER: Okay.

Thank you.

SENATOR KRUGER: Senator

Fuschillo.

SENATOR FUSCHILLO: Yes. Just

one quick question. Thank you.

Are you entertaining -- the discussion came up about the Tappan Zee Bridge. Are you entertaining any public/private partnership?

MR. MICHAEL FLEISCHER: As part of the DEIS process, there needs to be a financial plan before the project can issue an EIS. And that's one of the things that DOT has retained Merrill Lynch to look at, the finance options for delivering a new bridge.

And I think PPPs have always been at least part of the discussion, but there's nothing concrete where I can say here is a proposal for PPP, here's what would do it.

But when they issue that finance study, I think we'll have a better sense of what the private sector can bring to that project that

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maybe the public sector doesn't have available to them.

SENATOR FUSCHILLO: Well, that's applicable to financing. What about the construction on your end? Would you entertain a public/private partnership for the construction?

MR. MICHAEL FLEISCHER: I think it would have to be for construction as well. And I think that's -- you know, once it's built, it will be -- I don't know that it will be that much more expensive for us to maintain depending on the design. But generating the, you know, several billion dollars needed to build a new bridge that has transit capacity, I can't sit here today and say that the Thruway has a mechanism to generate that type of revenue on its own.

SENATOR FUSCHILLO: Thank you.

MR. MICHAEL FLEISCHER: Thank you.

SENATOR KRUGER: Senator.

SENATOR DeFRANCISCO: The Thruway is kept great in the weather so I want to give one compliment.

MR. MICHAEL FLEISCHER: Thank

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you.

SENATOR DeFRANCISCO: And I'm just going to ask you one question because it was brought up about the Thruway, the different stops on the Thruway.

Have you ever eaten at the Roy Rogers?

MR. MICHAEL FLEISCHER: I've had soda.

SENATOR DeFRANCISCO: It's a serious question. Have you ever eaten there?

MR. MICHAEL FLEISCHER: I don't think I have eaten there.

SENATOR DeFRANCISCO: Well, please, eat there.

MR. MICHAEL FLEISCHER: Okay.

SENATOR DeFRANCISCO: And then I would hope that you would consider that in deciding who gets the various concessions --

MR. MICHAEL FLEISCHER: We have tried to -- I mean --

SENATOR DeFRANCISCO: -- in the future.

MR. MICHAEL FLEISCHER: And

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that's what we did the last RFP, we allowed the -
- so now we have three separate. We have Delaware
North is operating some in Western New York. We
have HMS Host and we have McDonald's. So instead
of allowing one company to unilaterally control
the entire Thruway and monopolize the Thruway
even more than some say it already is, there is
some competition.

So you are seeing the Starbuck's
out there. You're seeing the more healthy choices
out there. And I think that is somewhat because
we did not allow one person to take it over.

SENATOR DeFRANCISCO: I don't --
I certainly don't want a monopoly. But I'd like
all of the places to have edible food.

But, please, it's unanimous back
here. I asked everybody if they've ever eaten
there.

Thank you.

MR. MICHAEL FLEISCHER: Thank
you.

Okay. Thank you, again.

MR. MICHAEL FLEISCHER: Thank
you.

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New York Public Transit
Association.

This is 1:00 p.m. That says
8:30.

Judge yourself accordingly.

MR. FRANK KOBLISKI: Yes, sir.
Okay.

Good evening.

My name is Frank Kobliski and
I'm the President of the New York Public Transit
Association, which represents the public transit
industry throughout the State.

I'm also the Executive Director
of the Central New York Regional Transportation
Authority which operates public transit services
in Syracuse, Utica and four Central New York
counties.

As requested by the Committee,
we have submitted written testimony. And in the
interest of everybody's time I will use this oral
presentation just to highlight NYPTA key issues,
concerns and recommendations.

Let me begin by stating that I
appear before you tonight primarily as the voice

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2 of our customers. In every part of New York
3 State, both Upstate and in the Metropolitan New
4 York Region, millions of people rely on public
5 transportation for their mobility.

6 These individuals represent
7 every age and income group and hundreds of
8 occupations. They include health care workers in
9 Manhattan, students in Buffalo and retirees in
10 Watertown. They also include employers, schools
11 and colleges, and certainly the non-riders who
12 also benefit from the environmentally friendly
13 services of public transit.

14 I'm sorry to say that it has not
15 been a good year for our customers. They've
16 endured fare increases that have made their trips
17 more expensive. But what is infinitely worse is
18 that too many of them no longer have any transit
19 service at all due to cutbacks and route
20 eliminations.

21 Unfortunately, under the
22 proposals contained in the Executive Budget it is
23 not going to get better for the transit rider.

24 The Governor's proposal calls
25 for significant public transit cuts at a time

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2 when operating funds have already been stretched
3 to the breaking point.

4 Simply put, if the Executive
5 Budget is enacted as proposed, transit systems,
6 other than the MTA, will have seen a staggering
7 \$27.3 million reduction in transit aid over the
8 levels enacted by the Legislature just last
9 April.

10 It is also clear to us that,
11 while appropriations for the MTA have increased
12 as a result of new dedicated revenues, their
13 financial situation remains precarious and will
14 require further serious attention.

15 The root of the problem is that
16 revenue from existing dedicated sources continues
17 to suffer from State and national economic
18 problems. And that is one of NYPTA's primary
19 concerns.

20 In order to boost revenue, NYPTA
21 supports the Governor's proposed Article 7
22 legislation that would prevent an industrial
23 development agency from granting an exemption on
24 the portion of the mortgage recording tax or MRT
25 that is dedicated to transit.

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2 This is a commendable first
3 step. But the State needs to go further with the
4 MRT if we are to adequately fund transit
5 authorities. NYPTA urges the Legislature to
6 consider increasing the MRT by twenty-five cents
7 within the regions of the four Upstate
8 transportation authorities.

9 Based on MRT collections over
10 the past six years, the proposed twenty-five cent
11 increase in these regions could generate an added
12 \$60 to \$85 million depending on mortgage
13 activity. The additional revenue will reduce
14 strain on the State's General Fund and provide a
15 bit more flexibility in allocating operating
16 assistance from the fund to the smaller formula
17 transit systems throughout the State.

18 For longer term dedicated
19 revenue solutions, NYPTA recommends convening a
20 successor to the Ravitch Commission. While the
21 Commission's recommendations enacted by the
22 Legislature in May of 2009 have provided a
23 measure of relief for the MTA, it is NYPTA's
24 position that the work of the Commission
25 represents a missed opportunity to address the

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2 transit operating assistance challenge on a
3 statewide basis.

4 The evidence of a pervasive
5 transit funding crisis is indeed growing. The
6 Upstate Account of the Mass Transit Operating
7 Assistance Fund continues on life support, kept
8 solvent only through General Fund and Downstate
9 Account transfers.

10 Counties served by downstate
11 suburban systems need new revenues to replace
12 funding lost in the DRP sweep and to continue to
13 provide service that both complements and links
14 to the MTA.

15 The MTA's new Ravitch revenues
16 are inadequate as demonstrated last week by last
17 week's delay of a \$650 million bond issue
18 following a credit downgrade due to significant
19 revenue shortfalls.

20 The Governor, the Legislature
21 and all of New York transit systems must find a
22 way to address this transit funding crisis and
23 restore financial stability which translates into
24 affordable transit services for the benefit of
25 our customers and the State's economy.

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2 Among our issues, we commend the
3 Governor's Article 7 proposals that would provide
4 some mandate relief for transit systems.

5 We support waivers for the DERA
6 provisions that require costly diesel emission
7 retrofits for buses that are within three years
8 of their retirement. This would save non-MTA
9 transit properties over \$5.8 million and save the
10 MTA as much as \$30 million.

11 NYPTA supports new legislation
12 to authorize the City of New York to establish a
13 bus rapid transit and bus mobility demonstration
14 program that would use devices similar to red
15 light cameras to identify owners of motor
16 vehicles violating city restrictions on the use
17 of bus lanes.

18 On an issue related to transit
19 cost savings but not specifically in the
20 Executive Budget, NYPTA has urged the Governor to
21 act quickly to rescind Executive Order #142 which
22 requires authorities to diversify fuel through
23 the use of biofuels. Eliminating this requirement
24 will save authorities five to ten cents per
25 gallon which will ease the pressure on operating

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funds for transit systems.

I would just like to take a moment to address also transit capital needs.

Last year, NYPTA supported the Department of Transportation's proposed five-year capital plan which was then rejected by Governor Paterson because of uncertainty regarding New York's expected share of Federal transportation revenues.

The Governor now has proposed a two-year capital plan which would allocate \$100 million for non-MTA public transit capital needs. The proposed two-year plan should meet immediate infrastructure needs for these properties.

Perhaps more importantly, the two-year placeholder plan gives us an opportunity for the State and all its transit systems to jointly develop a unified statewide transit plan that can simplify the complexities of transit financing and restore equity to revenue generation and STOA distribution.

In conclusion, NYPTA and its members appreciate our State's current difficult financial circumstances and are attempting to

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work within these budget limitations.

However, failure to restore transit funding cuts and also to provide increased aid for transit operating and capital needs can only have negative economic impacts that will easily exceed any purported savings.

Transit systems across New York have already been forced to raise fares and eliminate routes, actions that hit our customers hard at a time when they and we as a State can least afford it.

The State needs to respond to this crisis through continued investment in public transit, not further operating cuts.

The affordable mobility that public transportation offers is one of the indispensable keys to recover from this recession and to foster continued economic expansion throughout the State.

I would like to thank Chairmen Kruger and Farrell for allowing me the opportunity to testify on the Executive Budget proposal.

And I'd also like to thank

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Senator Dilan and Assemblyman Gantt for their leadership on transit issues.

Thank you for your time.

And I'll be happy to take any questions.

SENATOR KRUGER: Questions?

Senator.

SENATOR DeFRANCISCO: You're doing a great job at Central, and hopefully you can teach the other transportation organizations your ways to do business.

Thank you.

MR. FRANK KOBLISKI: Thank you, Senator. I'll do my best.

SENATOR KRUGER: Thank you very much.

MR. FRANK KOBLISKI: Thank you all for your time. We appreciate it.

ASSEMBLYMAN FARRELL: Thank you.

SENATOR KRUGER: Railroads of New York.

MS. DEBORAH NAJARRO: Good evening, everyone.

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2 My name is Deborah Najarro and I
3 work for a short line railroad called the Finger
4 Lakes Railway based out of Geneva.

5 I'm here tonight representing
6 RONY, which is a statewide association that
7 represents the freight railroad industry in New
8 York State.

9 Three dozen privately-owned
10 freight railroads that operate in New York are
11 members of RONY as well as many other support
12 businesses that are involved in our industry
13 across the State.

14 On behalf of RONY, I appreciate
15 the opportunity to speak today to both the Senate
16 and Assembly Fiscal Committees, as well as
17 representatives from the transportation
18 committee.

19 At a series of public hearings
20 by the Senate and Assembly Transportation
21 Committees held last fall, many RONY
22 representatives, including myself, discussed the
23 key issues and roles that the freight railroads
24 play in the national and state transportation
25 systems and the need for continued state

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investment in rail freight.

The new State Rail Plan, which was released by the Governor last year, identifies a specific list of capital needs of about \$1.8 billion in rail freight investment during the coming five-year period, or about \$375 million per year.

While significant, this total is modest when compared to the past State capital investments in both the highway and public transit modes. And I would add that it is a bit inequitable compared to the amount of freight traffic or tonnage that is carried by each mode.

As attached to my written testimony, which I believe you have copies of, we have summarized these needs by the freight railroad and by railroad type or size on the last page.

It also estimates the portion of these needs that the private sector railroads should be able to support on their own despite the significant economic challenges that our industry continues to face.

After adjusting for these

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2 significant projected investments, there is still
3 an \$800 million shortfall over the next five-year
4 period, or what equates to \$160 million per year
5 shortfall for freight -- I'm sorry, for rail
6 freight.

7 Compared to other transportation
8 modes where government support is required for,
9 nearly all capital and operational investments,
10 this amount is a relatively small fraction and
11 represents only forty percent of the total
12 investment needed for rail freight.

13 During the current State five-
14 year program, rail and ports were allocated \$235
15 million beginning in 2005-2006 fiscal year, or
16 \$47 million per year.

17 Rail freight was assured that we
18 would receive about \$186 million of this total
19 over the past five-year period while rail,
20 passenger and ports would get about \$50 million.

21 Yet we are now nearly at the end
22 of this program and it has produced only about
23 \$70 million of rail freight work under contract
24 as of this date, or about 38 percent of the
25 projected level.

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2 In addition, not one new rail
3 freight grant has been announced for the last two
4 years' program while State funds continue to be
5 spent on all other modes of transportation which
6 in many cases directly compete with our private
7 sector businesses.

8 At present, State officials are
9 still evaluating over \$200 million in rail
10 freight grants that were submitted prior to
11 October 1, 2008. Almost all of these projects are
12 shovel-ready and awaiting the necessary funding
13 commitments.

14 These 2008 grant submissions
15 required a formal State grant announcement within
16 ninety days of the application deadline, yet none
17 has been forthcoming and the result is that rail
18 freight has not been able to help forward many
19 infrastructure improvement projects nor help
20 improve the economy during these difficult times,
21 nor create more employment opportunities at a
22 time when we need more.

23 As noted, the rail freight
24 industry requires \$160 million per year in new
25 capital assistance to fulfill the vision of the

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2 new State Rail Plan announced last year.

3 Our membership is extremely
4 concerned that the Governor's Budget proposal for
5 the next two years of transportation is
6 underfunded and provides only the following
7 funds.

8 A base date rail program at \$10
9 million per year for the next two years for both
10 rail freight and passenger projects combined. And
11 that's down from the \$20 million per year in the
12 present five-year transportation program as
13 approved in 2005 which, of course, is a fifty
14 percent reduction.

15 The Bond Rail and Ports program,
16 there is no new funding available to replace the
17 \$27 million per year that would have been
18 available or was available provided in the 2005
19 Transportation Bond Act. So, of course, that's a
20 hundred percent reduction in that program.

21 And, thus, the Governor's
22 proposal provides a mere \$20 million in new
23 funding over a two-year period for rail freight
24 compared to the projected needs of \$320 million.
25 This is only six percent of what's needed and

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2 twenty-one percent of what was included in the
3 current five-year program.

4 So we obviously need your help
5 protecting the integrity and safety of our
6 industry's infrastructure through adequate public
7 investment, and also in urging the Governor to
8 announce the rail freight grants that we
9 submitted over eighteen months ago that were
10 required to be announced long ago.

11 These funds total about \$43.5
12 million in key grants that are needed to address
13 critical infrastructure projects.

14 RONY has previously provided
15 State officials with a list of over \$170 million
16 in ready-to-go projects that could be putting
17 people back to work today.

18 And I would add, as a side note,
19 that the employment associated with rail freight
20 service for Finger Lakes personally, we employ
21 fifty people and protect over three thousand jobs
22 that are associated with our forty shippers on
23 our line.

24 But statewide rail shippers
25 employ over 28,000 -- represent over 28,000

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2 manufacturing jobs that are serviced by the rest,
3 our partners in the freight industry. And that's
4 an important number and I think even more
5 important than the money we are asking for as
6 those jobs that rely on rail freight.

7 So thank you for providing
8 railroads in New York with an opportunity to
9 participate in today's public hearing on the
10 State transportation program financing.

11 It has been educational and you
12 folks are more diligent and persevere longer than
13 the rest of us. So good for you.

14 And if you have any questions,
15 I'll be happy to answer them if I can.

16 ASSEMBLYMAN FARRELL: Thank
17 you.

18 SENATOR KRUGER: Thank you.

19 Senator DeFrancisco.

20 SENATOR DeFRANCISCO: Thank you
21 for staying. I mean it's really a burden to stay.

22 But you are absolutely one
23 hundred percent right what you're saying. There's
24 no better investment of stimulus money to create
25 jobs and have an infrastructure so businesses can

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actually create jobs than rail.

And if we need any other evidence in that, when Berkshire Hathaway is actually buying railroads. It's actually a good investment for probably one of the most, if not the most, intelligent investor of all time.

And for our State not to take a little piece that you're asking for when we've got stimulus money for this very purpose, is absurd.

So I'll do what I can do to advance your point of view.

Thank you very much.

MS. DEBORAH NAJARRO: Thank you very much.

SENATOR KRUGER: Thank you.

ASSEMBLYMAN FARRELL: Thank you.

SENATOR KRUGER: New York Aviation Management, to close.

It's 5:30.

Go ahead. You're off and running.

MR. JOEL RUSSELL: Good evening,

1
2 Chairman Farrell and members of the Legislature.

3 Carl Beardsley, Vice President
4 of New York Aviation Management and the
5 Commissioner of Aviation of Greater Binghamton
6 Airport was scheduled to be here. He was unable
7 to join us.

8 My name is Joel Russell. I'm the
9 President of the New York Aviation Management
10 Association.

11 I'm happy to be here and I'll be
12 as swift as possible.

13 New York Aviation industry is
14 responsible for over \$35 billion in annual
15 economic activity. As a whole, we employ more
16 than 350,000 State residents and \$2.8 billion in
17 State and local taxes are generated annually by
18 aviation activities.

19 This is why it is so alarming
20 that the Governor's Budget proposal would aim to
21 disable this economic engine that drives a good
22 portion of the State's economy.

23 Specifically, the Executive
24 Budget allocates \$4 million for the FAA Airport
25 Improvement Program state match. This is down

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2 from \$8 million a few years ago. And further, the
3 language eliminates the transfer of unallocated
4 AIP funds to the State AIR 99 airport grant
5 program.

6 You will recall that the
7 Legislature established this funding transfer
8 authority a few years ago and that it was
9 restored by the Legislature after the Governor
10 sought to eliminate it last year.

11 The State AIP match program is
12 important to our industry. In short, for every
13 dollar the State invests in this program there is
14 a return of \$9.75.

15 Also troubling to the State's
16 aviation industry is the absence of any
17 appropriation for airport projects to replace the
18 Bond Act monies that expire this fiscal year.

19 That money provided airports
20 with \$15 million per year over the last four
21 years.

22 In fact, the Department of
23 Transportation has determined that the aviation
24 sector actually would require between \$20 and \$30
25 million per year in order to maintain a safe and

1
2 efficient aviation infrastructure in New York.

3 The absence of any appropriation
4 to replace the Bond Act money is just not
5 sustainable without compromising the
6 infrastructure renewal and maintenance of our air
7 transportation system.

8 In addition, the 2009 \$16.4
9 million of the Bond Act allocation for aviation
10 does not appear to be made available for projects
11 in the upcoming fiscal year although it is
12 carried as a reappropriation in the Executive
13 Budget.

14 We are concerned that the State
15 would delay soliciting applications for this
16 round of funding. Even if the applications are
17 solicited in March of this year, grant agreements
18 would not be approved until early 2011 due to the
19 various approval processes.

20 Therefore, this pipeline may be
21 empty for at least two years despite the fact
22 that bonds have been and are currently being sold
23 by the State.

24 To make matters worse, there is
25 a new tax on aircraft in the budget as well. The

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2 justification the Governor gives is that it will
3 prevent tax avoidance schemes.

4 The proposed tax does not
5 prevent tax avoidance schemes. Rather it prevents
6 business investment in New York. This tax will
7 provide an additional motivation for companies to
8 invest in our neighboring states.

9 When the State creates taxes
10 that discourage business growth in aviation, our
11 airports and communities lose construction of
12 hangars, office buildings and homes.

13 This tax will make it nearly
14 impossible for New York airports and businesses
15 to compete with neighboring states for in-state
16 aircraft basings and services, as many of our
17 neighboring states assess no state taxes on the
18 purchase and transfer of aircraft.

19 Now is not the time to be
20 discouraging investment in New York and further
21 restricting our State's aviation industry's
22 ability to grow and to create State revenue-
23 producing employment and investment
24 opportunities.

25 Our legislators have responded

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2 in the past when the Executive Budget has
3 overlooked the benefits to New York's economy of
4 maintaining a strong aviation industry in the
5 State.

6 With a total transportation
7 spending plan in the billions of dollars over the
8 next fiscal year, and with all other modes of
9 transportation receiving substantial funding to
10 meet their needs as determined by the DOT in the
11 five-year capital plan, the Legislature should
12 ask why such an important part of the State's
13 integrated transportation system is allocated
14 next to zero, particularly since by doing so the
15 State's airport operators would be foregoing
16 significant Federal funds available to them to
17 address New York State's infrastructure needs.

18 Therefore, NYAMA is urging you
19 to increase the appropriation for the AIP State
20 match program from \$4 million to \$8 million and
21 to restore the AIP/AIR 99 conversion language.

22 Further, we request that there
23 be an appropriation level of capital funding
24 available for critical security and business
25 development projects at commercial and general

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2 aviation airports to replace the expiring
3 transportation Bond Act funding.

4 NYAMA also urges the Legislature
5 to reject any new tax which singles out aircraft
6 ownership from ownership of other assets.

7 This provision seems more
8 onerous when you consider that there is no
9 corresponding revenue tied to the State fiscal
10 plan that we have been able to identify.

11 Further, we strongly recommend
12 that the budget exempt aircraft from sales tax
13 for a five-year period to allow us to capture the
14 recovery in business aviation which we believe
15 will lead to a increased surge in based
16 sustainable high-paying jobs, construction, and
17 home sales in the communities near our commercial
18 and general aviation airports.

19 We look forward to working with
20 you closely over the next several weeks to ensure
21 that our State takes full advantage of what a
22 healthy aviation industry can contribute to our
23 struggling economy.

24 Thank you for your time.

25 SENATOR KRUGER: Thank you.

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Any questions?

SENATOR DeFRANCISCO: No new taxes; right? Is that the message? An excellent message.

MR JOEL RUSSELL: Yes, that's correct.

SENATOR KRUGER: Okay.

Thank you very much.

ASSEMBLYMAN FARRELL: Thank you.

SENATOR KRUGER: We're done.
8:50.

(At 8:50 o'clock p.m. the proceedings were concluded.)