



240 West 35th Street ■ Suite 302 ■ New York, New York 10001

Testimony on the Metropolitan Transportation Authority's Finances and Operations

*Testimony before the Senate Standing Committee on Corporations, Authorities and
Commissions; and the Senate Standing Committee on Transportation*

September 29, 2021

Alexander Heil, PhD., Vice President for Research, Citizens Budget Commission

Good morning. I am Alexander Heil, PhD., Vice President for Research at the Citizens Budget Commission (CBC). CBC is a nonprofit, nonpartisan think tank and watchdog dedicated to constructive change in the services and finances of New York City, New York State, and the Metropolitan Transportation Authority (MTA).

The MTA is facing a long-term structural deficit of approximately \$2.7 billion annually, meaning its recurring income from fares, tolls, and other sources will be roughly \$2.7 billion less than the recurring expenditures needed to run the system.

Fortunately, significant federal aid should cover this structural deficit until 2026, providing a runway for the MTA to increase its operating efficiency and narrow or eliminate the structural problem. However, for the federal aid to cover the gap to 2026, the financial plan shows the MTA must implement:

- A two-year wage freeze starting next year;
- Service cuts starting in 2023; and
- The regularly scheduled 2021 and 2023 fare increases, intended to keep up with inflation of costs.

If these actions are not taken, and revenues do not exceed what currently is projected, the structural imbalance will hobble the MTA's finances before 2026.

To be fiscally stable in the long run, the MTA must take actions to support operating revenues and reduce recurring costs. The MTA should continue the smart practice it adopted in 2009 to

increase fares and tolls biennially to keep up with inflation. This ameliorated the prior practice of periodic significant fare and toll increases that were fiscally and politically wrenching. To maintain affordability for those with lower incomes, the City should undertake robust efforts to promote its Fair Fares program, which provides half-price transit service to lower income residents.

Furthermore, the MTA should take significant steps to rein in spending. CBC identified actions that could save up to \$2.9 billion annually by 2024. The federal aid provides time to phase in these changes, but the MTA should start now.

MTA can realize these savings by:

- Increasing its subway and bus operations and maintenance productivity, which could save \$1.6 billion;
- Increasing bus speeds, which could save \$268 million;
- Reforming how it deploys conductors, including one person train operation (OPTO) on subways and fare payment modernization on commuter rail, which could save \$512 million; and
- Reducing employee and retiree health care spending, which could save \$663 million. (See Table 1.)

These proposed changes and associated savings are based on practices, staffing, and costs of other large transit systems. Operation and maintenance productivity was identified by benchmarking MTA productivity to the median of other large transit systems and improving LIRR productivity to that of Metro-North. Proposed conductor deployment changes mirror those used by peer systems, both in the US and globally. Health savings are based on aligning premium sharing to other New York State employees.

Implementing these reforms will be challenging. Some require possibly significant investment, such as street redesign to improve bus speeds. Some require support, active participation, and changes by New York City and other stakeholders.

Labor collaboration will be the most important implementation challenge since productivity improvements will require work rule changes and ultimately fewer employees. Phasing in changes over three years will provide time for design and implementation. Collaboration can identify the work rules and practices needed to be as efficient as other systems. Time will allow attrition naturally to shrink the workforce. However, attrition may not be sufficient; the MTA and labor leaders should collaborate on other strategies, including retraining, redeployment, and gainsharing. Some may reduce the potential savings but be appropriate given the dire fiscal need. Importantly, while the current shortage of train operators and conductors has been a problem for

reliable service, starting to phase in OPTO may help improve service and reform operations without layoffs.

Success also will depend on operational flexibility, such as periodic partial or full line FASTRACK closures to allow for uninterrupted overnight maintenance track availability.

While reducing costs significantly is challenging, the alternatives to reform are deeply problematic. Saving \$2 billion annually would require, for example, a 28 percent increase in fares and tolls above what is planned, or service cuts 50 percent greater than the MTA’s mid-pandemic ‘doomsday’ scenario, or a 26 percent increase in the dedicated taxes and subsidies. Existing federal aid gives the MTA the opportunity to address its structural imbalance over several years; this time should not be wasted.

Thank you for your time and attention.

Table 1: Summary of Recommendations with 2024 Forecast

(dollars in millions)

	2024 Annual Savings	Headcount Impact
Operation & Maintenance Productivity		
Subway Facility Maintenance Improvement (NYCT)	\$981	6,185
Bus Vehicle Operations, Facility and Vehicle Maintenance Improvement (NYCT)	\$367	1,793
LIRR Vehicle Operations & Maintenance Productivity Alignment with MNR	\$242	1,114
Spatial Bus Productivity: 15% Speed Increase on Local Bus (NYCT)	\$268	1,278
Subtotal	\$1,858	10,177
Conductor Operating Reform		
NYCT Subway One Person Train Operation Expansion	\$221	1,582
LIRR Commuter Rail Proof of Payment	\$154	699
MNR Commuter Rail Proof of Payment	\$138	573
Subtotal	\$512	2,853
Health Care Savings		
Retirees: Premium Cost Sharing Parity	\$263	n/a
Active Workforce: Premium Cost Sharing Parity	\$130	n/a
Value-Based Plan Redesign	\$270	n/a
Subtotal	\$663	n/a
PROJECTED SAVINGS TOTAL		
Adjustment for Interaction of All Options	(\$162)	(192)
	\$2,871	12,838

Source: CBC staff calculations of U.S. Department of Transportation, Federal Transit Administration, *National Transit Database* (2019), "2019 Annual Database Service," "2019 Annual Database Operating Expenses," and "2019 Annual Database Transit Agency Employees," (accessed Dec. 15th, 2020) www.transit.dot.gov/ntd/ntd-data; Empire Center, "SeeThroughNY Payrolls" (accessed June. 6th, 2020), www.seethroughny.net/payrolls; and Metropolitan Transportation Authority, *2021 Final Proposed Budget, November Financial Plan 2021-2024* (November 2020), Volume 1, p. II-2, <https://new.mta.info/document/24126>.