

Regional Plan Association

... a research and planning agency supported by voluntary membership to promote the coordinated development of the New York-New Jersey-Connecticut Metropolitan Region.



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RPA Study of MTA Finances

\$12B NEEDED FOR MTA IMPROVEMENTS OVER 15-30 YEARS; \$1.1B FOR ANNUAL SHORTFALL; RAISE FUNDS FROM MOTORISTS AND LAND TAX

For \$12 billion, the MTA could turn its subways, buses and commuter railroads into state-of-the-art systems that will attract more passengers at a much lower cost, according to a study by Regional Plan Association. Spread over 16 years, that would be \$750 million a year; spread over 30 years, \$400 million (in 1986 dollars).

The MTA also faces an annual shortfall of at least \$1.1 billion for operations and capital renewal due to the loss of some federal and state subsidies and a need to put ongoing replacement and repair programs on a pay-as-you-go basis.

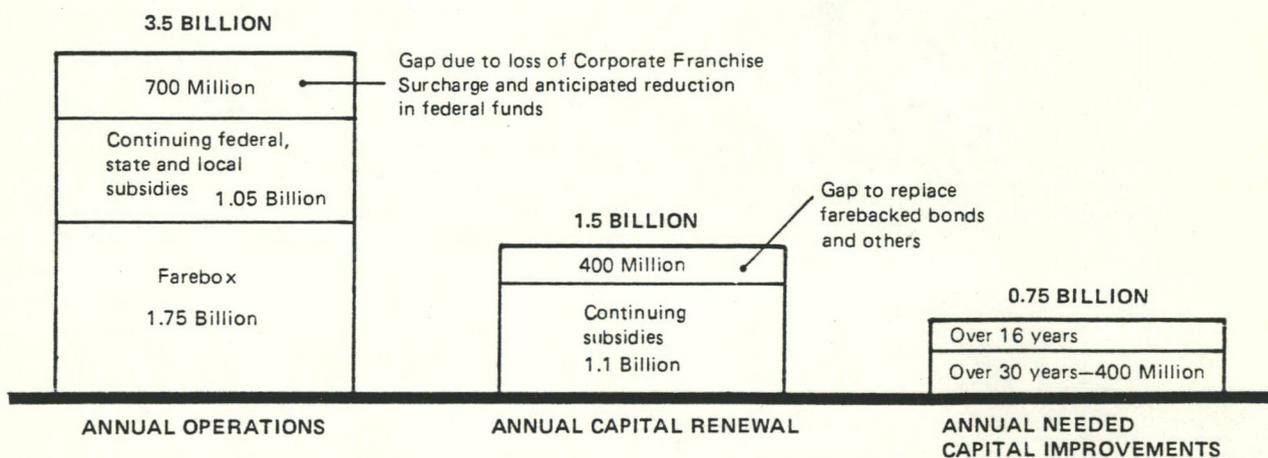
The study proposes getting funds from gasoline taxes, higher tolls, parking and auto fees, and a land value tax. Besides funding transit improvements, the motorist-based charges would encourage people to take public transit by making driving more expensive. The land value tax would encourage high-density development around subway and rail stations, according to RPA.

"It looks like the MTA's funds are in place for the rest of 1986, so the New York State Legislature has time to consider

carefully where future funds should come from," said RPA President John P. Keith. "The fare can't keep rising faster than inflation without losing even more passengers, so the present practice of using fare-backed bonds for ongoing expenses cannot be continued. We recommend taxes and fees that will make public transit more competitive and help to ease the mounting Region-wide traffic jam, but other potential sources exist.

"The important thing is that the funds be stable, long-term and predictable so that the MTA can make plans with some assurance that it will be able to implement them. The MTA is a huge operation. If it were a private industrial corporation, it would rank within the top 100 on the Fortune list in employees and 221st in income--counting only the income from fares. Having to go hat in hand to the State Legislature for subsidies every year or two prevents the MTA from planning and budgeting like the major business it is."

The MTA's Funding Needs



The MTA's total budget, including the capital program, currently amounts to some \$5 billion:

Operating costs for subways, buses and commuter rail currently total \$3.5 billion, about half of which comes from the farebox. The State Corporate Franchise Tax Surcharge, which

currently provides some \$270 million, is about to end, and federal grants are likely to be at least \$430 million less than last year. That leaves a gap of some \$700 million a year. In the long run, investments and organizational changes could reduce the MTA's operating costs by as much as 20 percent; despite that, expenses will remain high for the foreseeable future.

Capital renewal costs for new cars and buses, station rehabilitation, replacing track and signals, etc., currently amount to \$1.5 billion. Most of these are ongoing expenses that should be funded on a pay-as-you-go basis, without borrowing. Debt service is already \$177 million and will grow each year. A major reason the system collapsed is that no allowance was made for depreciation in the 1960s and 1970s. Some \$400 million in annual funding is needed to replace the portion of the capital program which currently depends on fare-backed bonds.

A long-term capital program of new initiatives would amount to \$12 billion of today's dollars, which could be built over 16-30 years. Since these are genuine long-term investments, it would be appropriate to borrow all or part of these funds, to be repaid by those who will be enjoying the benefits for many years.

About half the current capital program--\$750 million--is being spent on new subway cars and buses. Eventually, that cost will subside, perhaps to \$250 million a year, making \$500 million from a program of this scale available to pay back bonds for new initiatives (1986 dollars), according to RPA.

Possible Funding Sources

The funds needed by the MTA will undoubtedly come from a mix of federal, state and local sources--and many different taxes and fees are possible, according to RPA.

The Association recommends two sources which would enhance the effectiveness of the regional transportation system

and provide funds for public transit at the same time: motorist charges and a land value tax.

Motorist charges, including gasoline taxes, higher tolls, parking fees, car registrations and other auto fees, can discourage automobile use and make public transit more competitive, which is increasingly necessary as traffic congestion gets worse. (Earlier this year, RPA projected increases in rush-hour expressway traffic of 40 to 50 percent by 2000.) With the price of gas falling, now is the time to raise the gas tax, according to RPA.

There are many other reasons why automobile charges are attractive funding sources:

-- Motorists in the New York Region have higher incomes than average, and motorist-based charges take the smallest share of income from households with income below \$10,000, making them a progressive source of funds.

-- For most people who drive, there are alternatives (including car-pooling) when the cost of driving becomes prohibitive.

-- Motorists are the direct beneficiaries of public transit improvements. In fact, the existence of public transit is the only thing that makes driving to work possible. It would take 336 more lanes of traffic into Manhattan and two square miles of 6-story parking garages below 60th Street to get everyone who enters Manhattan to work by car. With traffic increasing dramatically in the suburbs, public transit is needed to make auto use feasible throughout the tri-state Region, the Association said.

Among the RPA recommendations is a federal motor fuel tax of 17 cents a gallon, with revenues dedicated to transportation block grants for highways and public transit. The \$19 billion this would produce would pay for everything the federal government now contributes to public transit and all federal, state and local highway subsidies from general funds.

Another specific proposal is that tolls of \$3.50 round trip be levied at all the entrances to Manhattan, including the

tunnels from New Jersey and the East River Bridges. The revenues from the New Jersey facilities should be used to improve trans-Hudson travel capacity. In the long run, the Region should adopt some form of non-stop toll collection whereby each auto trip into Manhattan and other congested areas is registered electronically and the driver sent a monthly bill by mail. The technology is already available to do that, the Association said.

A tax on land--but not on buildings or other improvements to the land--also is an appropriate source of transit funding. If the land near transit facilities is taxed, it will induce owners to build improvements there to help pay for the tax, which would make public transit more viable.

"The price of decent public transit looks high until you consider the alternative: highway congestion and a declining economy throughout the Region," said Dr. Keith. "With rapidly rising per capita income and much lower motor fuel prices, the cost of a good public transit system is very affordable. The cost of not having such a system is not."

This report on the MTA's finances is taken from a larger study of the future of transportation in the New York/New Jersey/Connecticut Region, conducted by Regional Plan Association, a nonprofit research organization which has been involved in the planning of the tri-state Region's transportation network since the 1920s.

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This is the seventh of eight weekly reports on the future of public transit. The final report, for release on Sunday, March 23, 1986 will summarize the Association's long-term proposals for public transit improvements in the MTA district. On Thursday afternoon, March 20, 1986, the Association's senior staff will be available from 2:00 to 5:00 to answer questions from the press regarding the details of this plan. The Association's offices are at 1040 Avenue of the Americas (at 39th Street), on the 16th floor.