

CHAIRMAN
JOHN M. DIONISIO*

VICE CHAIRMEN
LYNNE P. BROWN*
LOUIS J. COLETTI*
GARY LaBARBERA*
JORGE J. LOPEZ*
MICHAEL F. McNALLY*
TERRENCE E. O'NEAL*
JONATHAN D. RESNICK*
MILO E. RIVERSO*

PRESIDENT
RICHARD T. ANDERSON*

TREASURER
RALPH J. ESPOSITO*

SECRETARY
JOSEPH A. IENUSO*

GENERAL COUNSEL
MICHAEL S. ZETLIN*

PAST CHAIRMAN
PETER A. MARCHETTO*

DIRECTORS
JOHN T. AHERN
ELIZABETH H. BERGER
PAUL L. BONINGTON
AINE M. BRAZIL
MARGARET CASTILLO
VICTORIA J. CERAMI
CATHLEEN B. COLELLA
CARL J. COSENZO
RAYMOND P. DADDAZIO
PETER L. DICAPUA
MARY-JEAN EASTMAN
THOMAS D. FARRELL
MICHAEL P. FISHMAN
CARL GALIOTO
DONNA GARGANO
JOHN J. GILBERT III
MARYANNE GILMARTIN
SHARON GREENBERGER
JOSEPH T. GUNN
RICHARD SETH HAYDEN
SUSAN L. HAYES
MAUREEN A. HENEGAN*
THOMAS IOVINO
CYRUS IZZO
SABRINA KANNER
GEORGE KLEIN
CHRISTOPHER LARSEN
JEFFREY E. LEVINE
WILLIAM A. MARINO
JOSEPH G. MIZZI
MYSORE L. NAGARAJA
CHERRIE NANNINGA
GEORGE J. PIERSON
RAYMOND M. POCINO
JENNIFER J. RAAB
LAWRENCE P. ROMAN
ARTHUR RUBINSTEIN
MICHAEL F. RUSSO
ANTHONY P. SCHIRRIPIA
ROBERT E. SELSAM
JACK F. SPENCER
VICKI MATCH SUNA
LUIS M. TORMENTA
CHRISTOPHER O. WARD
FREDERICK W. WERNER
ELI ZAMEK

*Executive Committee Member

DIRECTORS EMERITI
JOHN A. CAVANAGH
PETER GOETZ
STUART E. GRAHAM
JOHN F. HENNESSY III
JAMES H. JONES
LEEVI KIIL
HERBERT KOENIG
JEFFREY M. LEVY
JOHN V. MAGLIANO
SALVATORE MANCINI
GERARD A. NEUMANN
JOSEPH H. NEWMAN
ROBERT S. PECKAR
JACK RUDIN
FRANK J. SCLAME
DOMINICK M. SERVEDIO
MARILYN JORDAN TAYLOR
DANIEL R. TISHMAN
RICHARD L. TOMASETTI
LESTER O. WUERFL JR.



January 11, 2013

Hon. James F. Brennan
Chair
Corporations, Authorities and Commissions Committee
LOB 422
Albany, NY 12248

Dear Chairman Brennan:

Please accept this letter in lieu of testimony for the January 11, 2013 hearing on the policies, finances and future plans of the Metropolitan Transportation Authority.

The economy and well being of New York City and State are directly linked to the health of its mass transportation infrastructure. Ensuring adequate financial support for the MTA is therefore a core responsibility of government.

The Metropolitan Transportation Authority is in the fourth year of its \$24 billion, five-year capital plan. In order to pay for the final three years of the Plan, the MTA Board and the MTA Capital Program Review Board last year approved a funding strategy that relies substantially on new debt.

Given the vast needs of the system, the next capital plan that begins in 2015 could easily spend as much or more money just to advance the mega projects now underway and bring parts of the system up to a state of good repair. With the devastating impact Hurricane Sandy had on the system – severing the connection between the Rockaways and the rest of the City, destroying the South Ferry station – we must now also prepare for the *additional* financial burden required to harden the system against similar emergencies that will inevitably occur in the future.

Given this background, aside from the expectation of federal formula funds, it is not at all clear where the money will come from to pay for the next capital program. There is general agreement that debt service is growing at an unsustainable rate, given competing demands for current revenues to pay for operating costs like personnel and service improvements.

We believe it is imperative for the Legislature to work with the MTA this year to come up with a *sustainable* funding source for the MTA capital program. In the recent past, the Legislature has taken bold action to avoid catastrophic funding gaps, namely by passing the Payroll Mobility Tax (PMT) and other revenue enhancements in 2009.

The PMT was originally a key recommendation of the 2009 Ravitch Commission on MTA Financing. At the time, the Commission urged that all PMT funds be kept in a

“lockbox” and applied only to capital projects. The Commission further recommended the creation of an MTA Capital Finance Authority to receive PMT funds and issue debt on the MTA’s behalf. The Building Congress continues to support the Ravitch Commission recommendation although only a fraction of PMT funds have been used to support the capital budget. The rest is already being used to fund MTA operations.

If the MTA continues to divert additional PMT funds from capital investment to meet short term operational goals, New York risks the future health of the system without fixing the systemic problems causing the funding imbalance in the first place. What’s more, this year the Legislature and Governor acted to defund the PMT by \$250 million by carving out a variety of exemptions. The exemptions ironically include the New York Building Congress. We have since paid the PMT voluntarily and will urge others to do so.

The Governor and Legislature now face the unenviable but essential task of dealing with future budget gaps and a capital program with no funding source. We offer several recommendations:

- Pass Chairman Brennan’s proposed Transportation Bond Act, which would provide transit systems statewide with a one-time, \$2.25 billion boost raised from general revenue debt.
- Act on the recommendations of the the Citizens Budget Commission report, which offers a variety of options for raising new revenues through new fees and regulary increasing fares.
- Restory the Payroll Mobility Tax to its original levels and protect it from any further modifications; dedicate all PMT revenues to the capital program.
- Governor Cuomo and the State Legislature should form a bipartisan group of legislators, administration and agency officials, budget experts and industry representatives to prioritize capital spending needs, adopt innovative financing methods, and consider dedicated sources of funding that would be protected from shortfalls in the operating budget. Building a funding agreement through consensus will make support for new funding more likely.
- The State should consider the recommendations of the Ravitch Commission on MTA Financing that were not included in the 2009 MTA bail out.
- Proposals to toll the East River bridges must be acted upon. Furthermore, this new funding stream would provide an opportunity to separate the capital funding stream from the operating funding stream. As the Ravitch

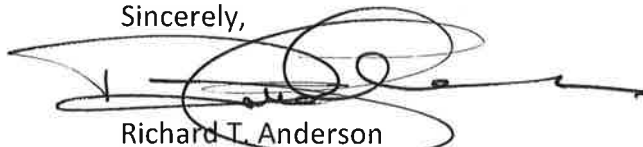
Commission noted, this separation could impose more spending discipline and reduce long term stress on both.

- The Legislature and Governor should review the MTA's procurement practices for inefficiencies and implement alternative project delivery methods. Too often large projects get bogged down in slow procurement practices and the traditional design-bid-build model when delivery could be substantially speeded up using other procurement methods.
- The MTA must continually re-evaluate its long-term capital plan and revise it as necessary in order to ensure state-of-good repair and to keep vital expansion projects moving forward. Doing so during the current program has saved the MTA billions of dollars.

It is government's responsibility to maintain and upgrade the MTA system, which is so essential to making the City's economy and neighborhoods work. This extensive system was created and nurtured as a result of a century of investments and requires constant renewal – in good times and in bad. The MTA must have adequate resources and support to maintain and improve the region's mass transit network. Without these measures, we risk a return to the decades of "managed decline" that will take years to repair while jeopardizing our much-needed economic recovery.

Thank you for the opportunity to offer these suggestions.

Sincerely,



Richard T. Anderson
President

Best wishes

