Testimony of Andrew Hollweck
Vice President, New York Building Congress
At a Hearing of the New York State Assembly
Committee on Corporations, Authorities and Commissions
January 10, 2014

Good morning Chairman Brennan and members of the Committee. Thank you for this opportunity to testify.

In its *Twenty-Year Capital Needs Assessment* released last month, the Metropolitan Transportation Authority (MTA) identified $105 billion in critical capital projects needed between 2015-2034 to maintain its vast transit network at a baseline state of good repair in order to accommodate the eight million plus New Yorkers who rely on the MTA every day.

But the document also shows that the MTA's needs are far greater. In an era in which ridership is reaching all-time highs, severe budget constraints are forcing the MTA to propose modest solutions while critical investments are left unfunded.

The reason for this is the agency's chronically unstable funding, which threatens to blow a hole in the upcoming five-year capital plan. While the Legislature permitted the necessary bonding capacity and approved a revenue package in 2009 that allowed the MTA to debt finance the larger part of its current capital program, these resources will be insufficient for the next capital program. Without adding any more debt, servicing existing debt could take up more than a fifth of the agency's overall budget by 2017.

In this context, despite strong investments over thirty years, the MTA's massive infrastructure needs are as great as ever. The 2015-2019 program, which must be funded by the Legislature by next year, shows $26 billion in new needs focused largely on state of good repair projects and important technical improvements.

The Assessment also proposes a host of unfunded system expansion projects to deal with growing ridership and changing commuter patterns. These include reactivating unused rights-of-way in Staten Island and Queens, completing the Second Avenue Subway, and creating Penn Station Access for Metro North, as well as several other lower-cost alternatives to improve existing lines. However, <u>none</u> of these projects are included in the document's proposed funding. Nor is the second phase of the Second Avenue extension, or completing the 10th Avenue #7 train station, or making vital capacity improvements to the Queens Boulevard Corridor.

We applaud the Governor for announcing his intention to build the Metro North Penn Station access at Wednesday's State of the State speech. Funding for this project could be drawn from federal emergency aid. However, if the MTA's five year plan doesn't change from the Assessment's forecast, this project and the other expansion projects will be unable to get underway, constraining growth and economic opportunity for the region.

Apart from Sandy-related emergency aid, federal formula funds and small State and City capital contributions, there are no other identified revenue sources. This leaves a $13-16 billion funding gap for the next capital program, again, *without funding any new expansion of the system at a time when ridership is at historic highs.*

The Building Congress recently released a report titled *How to Save New York City's Infrastructure: Dedicate Revenues,* which offers some ideas:

- Implement a Uniform Toll Policy, charging drivers a level fee to access the Manhattan Central Business District. A uniform toll policy eliminates the perverse incentives like those that drive heavy vehicles destined for New Jersey seeking to avoid tolls over the Manhattan Bridge and onto Canal Street. It actually lowers fares for commuters using any of the existing MTA Bridge and Tunnel facilities. And it raises an estimated $1 billion that can be dedicated to mass transit improvements. If dedicated entirely to mass transit infrastructure, these funds could underwrite billions of new MTA debt.

- Create a transparent public entity to collect new revenues and issue debt underwritten by these revenues. The entity could be modeled on the New York City Water Finance Authority, which has successfully financed tens of billions of dollars of capital improvements, most of which were required by unfunded federal mandates. The WFA has been an incredibly effective tool to protect funds dedicated to water and sewer infrastructure.

Other ideas proposed in our report but which need further study include implementation of a residential parking permit program. Some estimates place the number of unmetered parking spaces at more than four million, from which the City collects zero revenue. We also propose consideration of a Vehicle Miles Travelled fee to supplement the Dedicated Bridge and Highway Trust Fund, which relies on a variety of petroleum taxes and which is now used largely to finance outstanding debt and other programs. It no longer meets its original intent to operate as a pay-as-you-go fund to pay for transportation infrastructure statewide.

With that said, the State must provide the MTA with new revenues to support its capital program *without* cutting or reducing the Payroll Mobility Tax, a cornerstone of the MTA's revenue stream which underwrites both operations and capital investment. We simply cannot replace one reliable revenue stream with another, which would be a useless one-step-forward-one-step back exercise. The MTA's ability to secure low cost financing is hampered in no small part by the instability of its finances. MTA infrastructure is too important to the region-indeed, to the nation's-economy to be compromised in this way.

The Building Congress will aggressively advocate the importance of fully funding the MTA's next plan with the Governor and individual legislators during the coming legislative session. Multiple priorities, including rebuilding after Sandy, responding to population change and growth, and expanding the system to prepare for future economic and job growth are imperative to meet the demands of the 21st century economy. Thank you for this opportunity to testify.