



NEW YORK STATE SENATOR

Malcolm Smith

## Senate Passes MTA Bailout And Reform Package

MALCOLM A. SMITH May 7, 2009

Albany, NY) Today, The New York State Senate passed the Senate's MTA bailout and reform package (S.5451) that will save straphangers from costly fare hikes, crippling service cuts and finally enact much-needed oversight and accountability to an agency that has demonstrated poor fiscal management and dubious accounting practices for decades.

At the Senate's demands, a forensic audit will be conducted by an outside body, which will clean up the mess and fraud within the MTA, something the previous Majority refused to do during 43 years in control.

Also included in the plan is a commitment to fully funding a five-year capital plan for the MTA region and Upstate roads and bridges that will be taken up in October after a full accounting of necessary projects and costs have been conducted. Requiring that proposed projects be submitted before granting billions in taxpayers dollars ends the days when a blank check was written and the funding would later be directed for uses other than its original intent—one of the practices that led to the fiscal mess the MTA now faces.

“A dysfunctional Republican Senate Majority combined with gross mismanagement by the MTA created a mess that jeopardized the transportation needs of millions of New Yorkers. The MTA bailout and reform package we passed today ensures that families continue to

have access to a reliable and affordable means of mass transit tomorrow,” said Senate Majority Leader Malcolm A. Smith. “The reform provisions in our legislation will fundamentally change the way the MTA operates and finally stop this endless cycle of threats by the MTA to raise fares and cut services every time their business practices get them in trouble.”

“Last month the State Senate produced legislation that addressed the MTA’s operational deficit at the time. I commend Majority Leader Smith, as well as Speaker Silver and Governor Paterson, for their quick action in ensuring that we now have a plan that bridges the authority’s budget gap, addresses future capital and creates a more accountable authority,” said Senator Martin Malavé Dilan, Chairman of the Senate Transportation Committee.

"The public is rescued from the draconian doomsday plan of steep fare increases and cuts to service. This is the right plan at the right time," said Senator Bill Perkins, Chair of the Senate Committee on Corporations, Authorities, and Commissions. "The MTA gets needed resources, but faces new accountability and transparency standards to maximize performance. Most important of all, riders are spared massive fare increases and service cuts."

#### **S. 5451 MTA Bailout and Reform Legislation:**

##### **Revenue**

- The bill would create the Metropolitan Commuter Transportation Mobility Tax which would be imposed on either the payrolls or the self-employment earnings of businesses within the MTA region. The tax would be imposed at a rate of 0.34 percent (\$3.40 per \$1,000 of payroll) and would provide \$1.53 billion in revenues on an annual basis.
- School districts that are subject to the tax would be reimbursed by the State subject to an appropriation. If an appropriation for the reimbursement is not made, school districts

would not be liable for payment of the payroll tax for six months.

- The payroll mobility tax would be pledged for new capital spending allowing the MTA to fund debt service of over \$400 million per year supporting \$6.8 billion in bonds for the first two years of the upcoming capital plan .
- A supplemental fee of no more than two dollars per year would be imposed for renewed or newly obtained driver licenses and learner's permits, raising \$27 million in revenues on an annual basis.
- A supplemental fee of twenty-five dollars per year upon the registration and re-registrations of motor vehicles within the MTA region would be imposed; raising \$140 million in revenues on an annual basis.
- A surcharge would be imposed at a rate of 50 cents per drop off on the use of medallion taxi services; raising \$85 million in revenues on an annual basis.
- The auto rental tax in the MTA region would be increased from 6 percent to 11 percent ; raising \$35 million in revenues on an annual basis.
- A fare increase of 10 percent would be imposed in 2009 keeping the basic fare at \$2.25. On an annual basis, the fare increase would raise \$500 million .
- The fare increase allows a larger portion of the payroll mobility tax to be dedicated to bonding under the core capital program and to mitigate operating losses as a result of the weak economy.
- All of the new state funding sources would place the state's investment over the first two years at \$2.9 billion (\$1.1 billion year one, \$1.8 billion year two, not including fare increases).

## **Reform**

Known for keeping two sets of books, play-to-play, rampant fraud and extensive overspending on outside consultants, the MTA has operated with no oversight or accountability for decades, as a result of failed leadership by the previous Majority. Ending decades of secrecy that allowed the agency to operate without ramification, the Senate's

reforms:

**Preventing Abuse and Increase Transparency and Accountability:**

- Included is a provision stipulating that the Legislature will do its own audit this year, and then may do so again every two years.
- The MTA auditor cannot perform other services that present a conflict .
- MTA must post rules and information about its granting of privileges or benefits to board members; its board's and staff's use of livery cars and automobiles owned by MTA; and its hiring of outside law firms.
- Contractors who receive MTA funds must provide information to employees on how to report fraud or abuse to the MTA inspector general or the attorney-general.
- MTA's budgets and capital plans must be based on Generally Accepted Accounting Principles (GAAP) principles and presented with detailed supporting documents available on its website.
- MTA must provide in plain English on its website and give to the Governor and the legislature every year a proposed mission statement and proposed measurements for how well the authority carries out the activities required of it; and a report on the MTA's financial condition; internal control procedures; and an assessment of the current state of the authority.
- MTA must post on its website quarterly revenue and expense targets; updated projections of revenues and expenses; important operating data; a comparison of actual vs. projected levels with an analysis of significant variances; gap-closing initiatives undertaken by the MTA; and the status of its capital projects and costs.

**Improve governance of MTA:**

- Chairman of the authority is its chief executive officer, and may appoint an executive director, who reports to the chairman.

- Board members are fiduciaries who can be terminated by the Governor if they do not exercise loyalty and commitment to its mission.
- An Office of Legislative and Community Input is created within the MTA which reports to the legislative leaders and the public about public comments and concerns, and gives recommendations for addressing them.

**Enhance process for five-year MTA capital plan**

- MTA must promote and detail minority- and women-owned business enterprises activity for each MTA capital project.
- At least 60 days before it submits its capital program 5-year plans to the MTA capital program review board, the MTA must provide draft copies of them to the Speaker of the Assembly and the Temporary President of the Senate.