



NEW YORK STATE SENATOR

Martin Malavé Dilan

## Senate Passes Metropolitan Transportation Authority Finance and Accountability Package

MARTIN MALAVÉ DILAN May 6, 2009

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*Bill Sponsored by Senator Dilan, Senate Transportation Committee Chair*

(Albany, NY)—Faced with devastating cuts to services and fare increases, Senate bill S5451, sponsored by Senator Martin Malavé Dilan (D-Brooklyn), passed Wednesday, May 6 bringing financial solvency and accountability to the Metropolitan Transportation Authority.

The package closes a more than \$2 billion operating deficit incurred by the MTA with a two-year \$2.9 billion revenue stream covering operational costs and capital. It also puts in place measures to ensure that the public authority operates under the light of day, and incorporates sound accounting practices.

“First and foremost, our goal was to close a more than \$2 billion budget gap, keep fare increases to a minimum, services intact and prevent layoffs,” said Senator Dilan, Chair of the Senate Transportation Committee. “Secondly, we saw this as an opportunity to restructure an organization wrought with poor-practices, worse management and little accountability.”

As the worsening economy compounded the crisis, Senator Dilan and Senate colleagues quickly took action to bridge the authority’s budget gap, address future capital needs and

create a more accountable authority.

Last month the Senate Transportation Committee produced legislation that addressed the MTA's operational deficit at the time. As the financial gap widened, it became more apparent that the MTA's shortcomings were the culmination of years of mismanagement and a failure by some appointed to oversee MTA operations to recognize and head-off the looming crisis.

"As members of the MTA Capital Review Board, the former Majority had every opportunity to change the course of the authority. Knowing full well where their borrowing was leading it, the MTA has once again run aground, and myself and Senate Democrats were left the ugly business of bailing it out," Senator Dilan concluded.

S. 5451 MTA Finance and Accountability Legislation:

These five revenue sources, generating \$2.9 billion over the next two years, allow for a fare increase of 10 percent for 2009, keeping the basic fare at \$2.25, well below MTA projections of 25 to 30 percent. On an annual basis, the fare increase raises \$500 million.

The fare increase provides for a greater portion of the mobility tax to support bonding under the core capital program and offsets operating losses as a result of the weak economy.

Revenue generators only apply to the Metropolitan Commuter Transportation District. They are:

- A \$1 Flat fee on all license classes will raise \$27 Million. D Licenses will pay \$78.50 for an eight year renewal.

- A \$25 per year increase will be imposed on registration and re-registration of motor vehicles. This will raise \$47 Million in 2009, and \$141 Million in 2010.
- The Metropolitan Commuter Transportation Mobility Tax (Payroll Tax) is \$.34 cents per \$100 of income. It is imposed on payrolls of more than \$2,500; and self-employed earnings of more than \$10,000. It is retroactively effective March 1, 2009. It will raise \$1.021 Billion in 2009, and \$1.54 Billion in 2010.
- The mobility tax will fund new capital spending, allowing the MTA to fund debt service of approximately \$400 million, which in turn supports \$6.8 billion in bonding for upcoming capital improvements.
- Public school districts will be reimbursed annually upon approval of 2010 budget. The effective date for schools is September 1, 2009.
- A 50 cent per trip charge on all medallion Taxicabs in New York City. The measure yields \$85 million annually.
- A 5 percent fee on all rentals of passenger vehicles within the MCTD will raise \$18 Million in 2009, and \$35 Million in 2010.

#### Prevent 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 budgets and capital plans must be based on Generally Accepted Accounting Principles (GAAP) 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 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 versus 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 5-year capital program to the MTA capital program review board, the MTA must provide draft copies to the Speaker of the Assembly and the Temporary President of the Senate.