Executive Summary

An Assessment of the 2005-2009 Capital Needs of the Metropolitan Transportation Authority
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The upcoming 2005-2009 capital program for the Metropolitan Transportation Authority (MTA) represents a pivotal period for the ambitious rebuilding agenda begun by the MTA in 1982. The last two decades have witnessed a remarkable turnaround for the region’s network of subways, buses and commuter rails. The system that was Exhibit A for a dysfunctional New York in the 1970s is now a leading symbol of its success in the 1990s and its resilience following September 11. Yet this very success may be the biggest impediment to implementing this and future capital programs. After investing $52 billion in 22 years, there is a danger of false complacency. This would be a grave mistake for the city and the region. Continued rebuilding is vital. A return to disinvestment will result in gradual erosion of this asset and a lost opportunity to support a changing, expanding economy.

The challenges facing the MTA and the region are daunting. We must:

• **Continue the State-of-Good-Repair effort even as the MTA ramps up regular investments in normal replacement.** Although many parts of the system, particularly in New York City’s subway network, are not projected to reach a state of good repair for several years, rolling stock, tracks and facilities still need to be replaced and upgraded on a regular basis. According to the MTA’s 2000-2019 Needs Assessment, normal replacement will increase from about 37% of the Transit Authority’s expenditures on existing facilities in 2000-2004 to 61% by 2010-2014.

• **Build both a Second Avenue Subway and LIRR-Grand Central connection (East Side Access).** To see service implemented on these projects by 2011 and secure billions in federal dollars, substantial state resources need to be committed in 2005-2009.

• **Move away from an unsustainable reliance on debt financing for transit rebuilding.** Borrowing and debt refinancing accounted for 59% of the 2000-2004 capital program, contributing to growing operating deficits that can only be addressed through some combination of subsidy, fare increases or service cuts. Debt financing will need to be greatly reduced in the 2005-2009 program if the MTA’s fiscal health is to be restored.

The economic importance of meeting these challenges is immense. Since the state of good repair effort began, improved mobility and increased ridership have made possible economic expansion that has added nearly 700,000 jobs to the MTA region. Failure to maintain a well-functioning system would put a foundation of continued prosperity at risk.

Even with these improvements, congestion in the region has increased and New York faces a growing competitive challenge from other regions that are investing in their transportation systems. In an era when quality of life is of paramount importance for attracting a talented workforce, the New York metropolitan area has the longest commutes in the nation and commuting times worsened in the 1990s. Cutting edge mass transit made possible the concentration of talent and energy that made New York the world’s leading 20th century city. State-of-the-art mass transit is an essential prerequisite if New York wants to maintain that preeminence in the global century that is now beginning. That will require an unprecedented threefold effort.
Maintaining and Upgrading the Current Network

The MTA will require at least $18.9 billion between 2005 and 2009 to maintain sufficient progress on its State of Good Repair, Normal Replacement and System Improvement goals.

The MTA’s 2000-2019 Needs Assessment projected a need for $15.2 billion in 2000-2004 and $16.2 billion in 2005-2009 to meet system-wide goals for subways, buses and commuter rails. Adjusting for inflation, and including bridges and tunnels, these targets would be approximately $17.9 and $19.8 billion, respectively, in 2003 dollars. The 2000-2004 program was funded at about 80% of the level recommended in the Needs Assessment, and the shortfalls were concentrated in a few areas. Additional funds were later added for repairs and security measures following September 11, but this did not affect funding for state of good repair and normal replacement targets.

The $18.9 billion recommendation assumes that program areas that were adequately funded in 2000-2004 should be funded at 80% of the projection in the Needs Assessment. Programs that were budgeted well below the Needs Assessment in 2000-2004 should receive this amount and make up for the shortfall in the last plan. In addition, some security and system improvements need to be included.

Four program areas that are critical to safety, system reliability or customer service were funded 25% or more below recommended levels in 2000-2004, all in the New York City Transit Authority. These should receive additional support in the 2005-2009 program:

- **Communications and Signals** was budgeted at $483 million less than identified in the Needs Assessment, delaying the day when trains can proceed with greater speed and riders will have real time information on train arrivals and service disruptions.

- **Power Substations** was budgeted at $685 million less than recommended in the Needs Assessment, leaving the system vulnerable to power outages due to voltage surges, short circuits and other events.

- **Line Equipment**, particularly tunnel lighting and ventilation, was budgeted at $668 million less, creating potential problems for emergency response and evacuations.

- **Passenger Stations** was budgeted at $639 million less, limiting progress on rehabilitating stations.

In addition to these considerations, the $18.9 billion target also includes other priorities to upgrade services:

- **Security projects**: Following September 11, the MTA has implemented approximately half of $1 billion in recommended improvements for system security. The 2005-2009 program should include funding for the remaining $400-500 million.

- **Third track of the Long Island Rail Road**: This improvement is essential to enhancing capacity for the growing demand for travel within Nassau and Suffolk counties. Funding to complete a substantial portion of the $664 million project should be included in this capital plan.

- **Bus Rapid Transit**: New York City and the MTA are about to embark on an 18-month study
that will lead to five projects (likely one in each borough) that will create new premium bus service. BRT strategies include giving buses their own right-of-way by speeding the boarding process. This $75 million pilot project will test this promising strategy for greatly improving bus travel times.

- **High-Speed Tolls:** High speed tolls at bridges and tunnels, such as those already in place or now being installed around the region on the Garden State Parkway, the New Jersey Turnpike, the New York State Thruway (Tappan Zee Bridge) and at Port Authority bridges will speed traffic, create increased capacity, promote safety, and reduce pollution. The project requires $20 million apiece for high speed toll lanes at the Verrazano-Narrows Bridge, the Throgs Neck Bridge and the Bronx-Whitestone Bridge.

The 2005-2009 program should include $7.6 billion to provide new capacity to the transit system. In spite of a 50% increase in the region’s population and an 80% increase in employment, there have been no substantial additions to the rail transit network in over 60 years. This failure to modernize and expand the transit system has resulted in inherent problems that can only be addressed through investment in new service. The transit network will soon exhaust its capacity to deliver additional workers to the Manhattan Central Business District, impeding growth in the region’s economic engine. The system is also riddled with poor connections, such as the lack of Long Island Rail Road service to Grand Central Terminal, commuter rail service and adequate capacity from Brooklyn to Lower Manhattan, and of direct connections from parts of Brooklyn and Queens to Manhattan East Side job locations, all problems reflecting the dramatic changes in settlement and employment patterns over the last 60 years that a 1930s transit network cannot address.

With the MTA having obtained federal approvals and nearing completion of engineering and design for both the Second Avenue Subway and East Side Access projects, the first priority of the expansion program should be to implement service as quickly as possible. Since East Side Access will increase demands on the Lexington Avenue subways, it is also critical that these projects proceed simultaneously.

$3.8 billion should be committed to the Second Avenue Subway to implement initial service by 2009 and begin construction of the second phase. $2.8 billion is needed to complete the initial operating segment with service from 57th Street to 96th Street. Currently projected to be completed by 2011, this phase should be accelerated and work should begin on future phases by adding $1 billion. Otherwise, the full Second Avenue Subway project will not be completed until 2020, greatly delaying potential benefits to both Northern and Lower Manhattan and synergies with projects such as the #7 line extension and possibly a connection to Brooklyn, Jamaica and JFK airport via Lower Manhattan. By accelerating the construction schedule, the economic benefits will be realized sooner and the project will be less likely to be curtailed over its long construction period.

**East Side Access should also receive $3.8 billion in the 2005-2009 capital program.** This will provide nearly 80% of the $4.8 billion needed to complete the project. An additional $1 billion will be needed in the next capital program to
implement service by 2012, as currently intended.

**Lower Manhattan Rail Link and #7 Extension**
The proposed tunnel linking Lower Manhattan to the Long Island Rail Road and John F. Kennedy Airport would be a worthwhile project – with benefits for the East Side, Brooklyn, Queens and the Bronx, in addition to Lower Manhattan and Long Island – if connected to the Second Avenue Subway. It cannot be fully evaluated or weighed against other priorities until an Environmental Impact Statement is completed, a process that is expected to take two years. RPA looks forward to working with proponents to shape this project.

The extension of the Number 7 subway has been proposed as part of the City and State plan to redevelop the Far West Side. Since New York City has indicated that this can be self-financing, it is not necessary to require any MTA money for this project.

**FINANCING**

The MTA will need approximately $2.5 billion per year for core program needs and up to $1.1 billion per year for expansion. Combined, the recommendations for investments in the current network and expansion projects total $26.5 billion for 2005-2009. Of the $18.9 billion for state of good repair and normal replacement, about $6.4 billion can be expected from federal subsidies, MTA program income and asset sales. The remaining $12.5 billion ($2.5 billion per year) will need to come from state and local subsidies, bonding backed largely by farebox revenues, or new revenue sources. Similarly, the $7.6 billion in expansion can count on anywhere from 25-50% funding when the TEA-21 federal transportation bill is reauthorized. This would leave an annual funding gap of between $760 million and $1.1 billion.

In developing a financing strategy it is important to address two facts. First, the annual funding need will not end in 2009. Both the core program and expansion projects will require annual appropriations of at least these amounts for the foreseeable future, so financing needs to provide recurring sources of revenue. Second, the capital program’s reliance on debt has soared while state and local subsidies have declined dramatically. As shown below, while state and local subsidies provided nearly 30% of program costs in the 1980s, they declined to 2% for New York City and 0% for New York State in the last capital program. The MTA’s internal cash resources also declined dramatically since the late 1980s, resulting in a greater share of funds coming from bonds and debt restructuring.

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**MTA Capital Plan Funding Sources**
The MTA will need to improve efforts to manage costs and develop more efficient ways to deliver this program. Beyond efficiencies, these realities clearly point to several guidelines for the debate over how to finance the program:

- **New York State, New York City and the suburban counties will need to substantially increase their support with dedicated revenues for state of good repair and normal replacement.** With no likelihood for debt refinancing and limited capacity to absorb additional debt, it will be impossible for the MTA to fund a capital program that even approaches the level of need without increased state and local subsidy.

- **Debt financing and the operating deficit need to be considered concurrently, and the state has to commit to long-term subsidies to rationalize the MTA’s financial structure.** Debt financing cannot be avoided entirely for this plan, but it needs to be limited and incorporated into a strategy to resolve the operating deficit. This strategy will need to include increased and sustained levels of state subsidy and reasonable levels of fare and toll revenues.

- **New, dedicated revenue sources will be needed for expansion projects.** These projects, which will expand the economy and tax revenues, should logically be funded with sources that would be dedicated to them for the life of the construction period. This will minimize competition with funding sources for operating revenues and state of good repair. It will also eliminate the risk that partially completed projects will need to be abandoned if funding needs to be cobbled together with each five-year capital plan.
Sources

Metropolitan Transportation Authority Sources


Other Sources

Employment Graph: US Bureau of Labor Statistics

All photos: www.subwaywebnews.com

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Regional Plan Association (RPA) is an independent regional planning organization that improves the quality of life and the economic competitiveness of the 31-county New York-New Jersey-Connecticut region through research, planning, and advocacy. Since 1922, RPA has been shaping transportation systems, protecting open spaces, and promoting better community design for the region’s continued growth. We anticipate the challenges the region will face in the years to come, and we mobilize the region’s civic, business, and government sectors to take action.

RPA’s current work is aimed largely at implementing the ideas put forth in the Third Regional Plan, with efforts focused in five project areas: community design, open space, transportation, workforce and the economy, and housing. For more information about Regional Plan Association, please visit our website, www.rpa.org.

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