As Appeared in**: NY Times, December 19, 2004**

Tunnel Vision

By Preston Niblack

The much-discussed fare increases and service cuts for mass transit are meant to ease the pressures on the Metropolitan Transportation Authority's daily operating budget. But attention must be paid as well to another budget at the MTA's – the $27.7 billion, five-year capital plan. This budget has a gaping hole of $16 billion, money needed for buying subway trains and buses, repairing stations, and constructing new lines like the Second Avenue subway.

Finding a way to pay for this enormous but crucial investment in our transportation system is the key to resolving the agency's long-term fiscal problems.

If the MTA keeps doing what it's been doing – borrowing the money itself for these capital improvements by issuing bonds whose principal and interest payments come out of the operating budget – the shortfall in its operating budget will continue to grow substantially.

The agency can rely on outside assistance—mostly federal transportation grants—for less than one-third of the money needed for its maintenance and repair portion of its capital plan. And half the financing (at most) for the expansion portion will come from federal and city subsidies. The rest the M.T.A. has to generate itself.

That's a problem, because debt service—the principal and interest paid to those who invest in MTA bonds – is already the fastest growing part of the authority's expenditures: it is projected to rise from 12 percent of operating expenses in 2004 to 20 percent by 2008. The authority already issues nearly $2 billion in debt a year. And the fares, tolls, and taxes that pay for the M.T.A.'s operating costs are not keeping pace.

To get out of this fix, we must either slow the growth rate of debt service by canceling or delaying its capital projects, or find a way to pay its escalating borrowing costs. Choosing the latter will mean that total M.T.A operating expenses will continue to grow by at least 5 percent annually for the foreseeable future; meeting this expense will be possible only if there are regular increases in tax rates, regular fare increases, entirely new revenue sources, or (most likely) all of the above.

But there is a third way – one that slows the growth rate of the M.T.A.'s debt service without cutting back capital projects.

The idea would be to reduce the need for new debt by dedicating any new revenue sources to help finance the capital program on a pay-as-you-go basis. A realistic target might be to finance on this basis half of the "normal replacement" needs of the system-about $1 billion annually.

In a recent report, the Independent Budget Office cited two possible new revenue sources for the M.T.A.: tolls on city bridges and the reinstatement of a commuter tax like the one eliminated by the Legislature in 1999. We estimate that bridge tolls could generate more than $400 million annually after deducting bridge-maintenance and collective expenses. Reinstating the commuter tax – essentially an income tax levied on those who work, but do not live, in the city – would raise $443 million in 2005 and about $550 million by 2008. (A tax at the same rate on all residents of the M.T.A service region, including New York City residents, would yield more than $1 billion annually.)

Others groups, such as the Regional Plan Association, have proposed similar and other fees and taxes. The association estimates that a 10-cent-per-gallon gasoline tax in the M.T.A.'s operating region would garner $300 million annually. Increasing driver's license fees to $50 annually would raise $290 million each year.

Why is it fair to ask people who might not ride the M.T.A.'s subways, buses and trains to help pay for mass transit? Because passengers are not the only ones who benefit from a robust, reliable transit system. Drivers also benefit from the reduced traffic that is a byproduct of a good mass-transit system. Businesses benefit from increased regional mobility. And all of us benefit from decreased air pollution when commuters use mass transit instead of cars.

There is no magic formula for determining how to apportion these costs, but it is important to recognize how widespread the benefits are and how vital mass transit is to a healthy regional economy and quality of life.

Gov. George E. Pataki, Mayor Michael R. Bloomberg, and other political leaders have so far rejected these fee-and tax-based measures. And they have not yet proposed any alternatives.

The MTA does not have the power to tax. Only the state can raise fees and taxes – raising them to support our region's mass-transit system is a political decision that requires political leadership.

We cannot continue to pretend that the burden of financing the M.T.A's daily operations and long-term capital program are somehow exclusively responsibility of the agency itself. It is not. The impetus for a solution must ultimately come from Albany and City Hall.

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